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# China Report

ECONOMIC AFFAIRS

No.246



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12 July 1982

# CHINA REPORT

## ECONOMIC AFFAIRS

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## NATIONAL POLICY AND ISSUES

### 'JINGJI GUANLI' ON FOCAL POINT OF REORGANIZATION

HK300945 Beijing JINGJI GUANLI in Chinese No 5, 15 May 82 pp 46-51

[Article by Jiang Yiwei [5592 0001 5517]: "Overall Reorganization Is a Constructive Reorganization--Part III"]

[Text] III. Establish a Leadership System Which Is Both Democratic and Centralized

#### 1. The Leadership System Is the Fundamental System of Enterprises

The basic content of the overall reorganization of enterprises is the "3-items of construction." The first item of the "3-items of construction" is to gradually establish a leadership system which is both democratic and centralized.

The leadership system is the fundamental system of enterprises. Why is it a fundamental system? This is because it is the concentrated expression of the socialist nature of enterprises. Enterprises of different social nature will inevitably adopt different systems of leadership. A capitalist enterprise has a set of institutions of leadership which are suited to the capitalist private ownership system. In an enterprise which is solely operated by the investment of a capitalist, he dominates everything. The boss may employ a manager who will take care of routine work on behalf of his boss but the boss will make decisions on major issues himself. An enterprise which is operated by raised capital adopts in general the organizational form of a company. The board of directors which is composed of a small number of persons who are chosen by the capitalists (shareholders) exercises the authority to make decisions on behalf of capital shareholders and appoints a general manager who will be responsible for the operations and management of the enterprise. In some enterprises, the board of directors is both a decisionmaking organ and a supervisory organ and in other enterprises, a control commission is set up outside the board of directors as a supervisory organ, a commission which exercises the authority to supervise and has, in some aspects, greater authority than the board of directors. By relying on this set of leadership institutions, capitalist enterprises can effectively safeguard the rights and interests of capital and at the same time, this set of leadership institutions is also suited to the requirements of the everincreasing complexity of the operations and management of capitalist enterprises.

A socialist enterprise is an enterprise under the public ownership system. It is necessary to establish a leadership system in the internal departments of enterprises which is suited to the socialist socioeconomic system.

Since the founding of the PRC, with the establishment and development of the public ownership system, the leadership system of our enterprises has also continuously changed and developed as well as accumulated some positive experiences. However, there have also been problems which are not suited to modernization and socialized mass production. The 3d plenary session of the 11th CCP Central Committee has put forth the historical tasks to reform China's economic management system. Over the last 3 years, marked achievements have been made in expanding the decisionmaking power of enterprises and conducting regulation by market mechanism. Along with the reform of the economic management system, it is inevitable that a reform of the leadership system in the internal departments of enterprises should be carried out correspondingly. At present, there are more than 400 enterprises across the land, which are carrying out the experimental work in this respect.

As for the question of what kind of leadership system should actually be established so that it can either embody socialist principles and give play to the superiority of the socialist system or suit the objective needs of modernization and socialized mass production, there is, as yet, no perfect ready-made pattern. Therefore, on the basis of summing up our existing positive experiences and in the light of the orientation of development of the future structural reform, it is necessary for us to explore a Chinese-style socialist ownership system of modern enterprises.

In practical terms it is certain that this new-style leadership system will ceaselessly blaze new trails and develop in the course of practice. But what kind of basic principles should be followed? Recently, the CCP Central Committee has pointed out: "The fundamental common principle that should be followed is the collective leadership by the party committee, democratic management by the staff and workers and the factory director taking command in administration and production. These principles are a new summarization of the leadership system and management system in the internal departments of enterprises based on years of experience. Whether the great majority of the enterprises which are now still carrying out the system under which the factory director assumes full responsibility for production under the leadership of the party committee and the system of staff and workers' congresses under the leadership of the party committee or the minority of the pilot units which are carrying out the leadership system and management system in other forms on a trial basis must all follow these fundamental principles and furthermore, on this basis and in the light of the reforms of the whole economic system and management system, gradually formulate a new system which suits them."

At present, apart from a small number of enterprises which are carrying out trial-point reform of the leadership system to explore a more perfect leadership system, most of the remaining enterprises all over the country are still practicing the system of staff and workers' congresses and the factory director responsibility system under the leadership of the party committee. The CCP Central Committee and the State Council approved the promulgation of the

"Provisional Regulations Concerning the Staff and Workers' Congresses in State-owned Enterprises" and the "Provisional Regulations Concerning the Work of Factory Directors in State-owned Factories" and will in future promulgate the "Regulations Concerning the Work of the Grassroots Organizations of the CCP in Industrial Enterprises" and others. The enterprises which are not involved in the above-mentioned experiment must earnestly implement these regulations. However, by "implementation," under no circumstances do we mean that it will be right enough to act only according to the provisions of the regulations in a formal and oversimplified way. The true implementation must be to have a good understanding of the spirit and principles of the directives and provisions of the regulations of the CCP Central Committee and the State Council and in light of the specific conditions of enterprises and the development of the economic structural reform and the premise of not violating the three fundamental principles summarized by the CCP Central Committee, to create some effective concrete measures so as to enrich and develop the contents stipulated in the provisional regulations. In this way, we can make due contributions in establishing a leadership system which is both democratic and centralized.

## 2. Practice Democratic Management by the Staff and Workers and Give Full Play to the Masses of Staff and Workers' Enthusiasm for Socialism and Their Sense of Responsibility of Being the Masters of the Country

In a socialist country, the system of public ownership of the means of production is practiced and exploitation has been abolished. The working people have become the masters of production and they work for their own interests including the overall interests of the working people and the immediate interests of the individual and thus they have a reservoir of enthusiasm for labor. This is the greatest superiority of the socialist system and also the foundation for socialism to eventually replace capitalism.

However, in order to bring this superiority of socialism into full play, it is necessary, in terms of the system, to truly ensure the working people's position of being the masters of the country and the formal and effective ways for them to exercise their right to be their own masters. Apart from further perfecting the socialist democratic system politically, we must also practice a high degree of democracy economically. In a certain sense, economic democracy is the foundation of political democracy.

An enterprise is the basic unit of the social economy. Social productive force comes into effect in enterprises and the social relations of production are also manifested directly in enterprises. Therefore, in practicing economic democracy, the most fundamental link is to carry out the democratic management by the staff and workers in the enterprises.

In order to alleviate the contradiction of the antithesis between labor and capital, a capitalist enterprise also adopts the so-called "system of worker participation," allowing the representatives of workers to participate in the board of directors and so on, but the true decisionmaking power is still in the hands of the capitalists. On matters involving the fundamental interests of the capitalists, they will not allow the workers to really assume responsibility

for making a decisions. Only under the socialist public ownership system can the masses of staff and workers truly become the masters of enterprises.

In carrying out the structural reform and expanding the decisionmaking power of enterprises, who will exercise this power? In principle the entire body of staff and workers should exercise it.

In establishing the economic responsibility system which combines responsibility, authority and benefit, who will undertake this responsibility, authority and benefit? In principle the entire body of staff and workers should undertake this responsibility, authority and benefit. So long as they realize that they are the masters of enterprises and in addition, they do actually exercise their rights as their own masters, and what is more, the quality of the results of the production and operations of enterprises are directly related to their own interests, they will inevitably take an attitude of being the masters of the country to concern themselves with the enterprises and make concerted efforts to discharge the bounden responsibilities for the state and society.

Since the founding of the PRC, concerning matters of democratic management by the staff and workers, we have adopted many forms, but practice has proved that the form with the staff and workers congresses as the democratic decisionmaking management in enterprises.

A socialist enterprise is the basic unit of the nationaleconomy. Under the state's unified leadership, it has a relatively independent position and also relatively independent economic interests. Within the limits of state policies and decrees and under the guidance of state unified plans, it carries out independent operations, practices independent business accounting and assumes responsibility for its own profits and losses. Therefore, on the questions of how to develop and how to operate and manage the enterprise so as to achieve optimum economic results, the enterprise itself must have fairly great initiative. The quality of the production and operations of enterprises depends not only on whether or not the operational decisions of enterprises are correct, but what is more important, also depends on whether or not the decisions of enterprises can be grasped by the broad masses of staff and workers and become the conscious actions of the entire body of staff and workers.

The staff and workers' congresses which are composed of the outstanding representatives who are elected by the masses of staff and workers themselves in a democratic way discuss and make decisions on the development program and other major issues of enterprises. This will not only be able to draw on collective wisdom and absorb all useful ideas and raise the correctness in making decisions but also be able to assign the entire body of staff and workers heavy responsibilities for fulfilling production and various other tasks of enterprises.

The decisions adopted by the staff and workers' congresses should be made the goals for the practical struggle of every individual staff member or worker through the implementation of the economic responsibility system, with each level of the internal departments of enterprises contracting for the congress' assignments and ensuring their fulfillment. In this way, the enthusiasm of the entire body of the staff and workers can be organized with everybody "thinking and working with one heart and one mind," thus becoming an invincible powerful force.



However, the staff and workers congress is, after all, an organizational form. If things go well with it, it may genuinely develop democracy and give play to the enthusiasm of the broad masses of staff and workers but if things do not go well, it may become a mere formality and not play any substantive role. What counts is to adopt some effective measures to bring its role into play.

For instance, before the staff and workers congress discusses and draws up the annual plans for production and operations, naturally, the factory director is obliged to prepare plans and then submit them to the congress for discussion. If no deliberations are made beforehand and the plans are read out in the manner of downpour, the representatives to the congress will hardly make any suggestions for the time being and have to raise their hands for approval. In such a case, it is impossible to give scope to the congress' role of pooling collective wisdom and absorbing useful ideas and making decisions in a democratic way. If we make full explanations of the main contents of the plans and distribute them among the representatives, urge the representatives to extensively solicit opinions from all concerned and bring them to the congress, on this basis the congress can make decisions democratically. In this way, things will be different. Some enterprises have even created such a method: in regard to some factorywide major policy issues, they prepare, in advance, several different plans with both advantages and disadvantages clearly stated and submit them to the congresses for discussion rather than putting forward only one plan for the representatives to discuss and approve. With the representatives having things to contrast and choose, the discussions will not become a mere formality.

Take the standing system of representatives for another example, this is a good method for giving play to the role of the representatives. If the representatives to this congress are only fixed in the standing system of representatives and attend the meetings while the congress is in session and have nothing to do after the meetings are over, such a standing system of representatives will be unable to play a great role. To bring the role of the standing system into full play, it is advisable to ask the representatives to maintain extensive contacts with the masses at ordinary times and heed the opinions of the masses on the work of the enterprises or of the leading cadres and to report to the departments concerned so that the latter will handle or reply to their opinions. In this way, the standing representatives will play a greater role. While the congresses are in recess, it is encouraged to organize the representatives, help them separately participate in some specialized committees and carry out democratic management or supervision over some work of enterprises. In this way, the role of the standing system of representatives can be brought into full play.

Practicing democratic management by the staff and workers in enterprises is not confined to one form such as the staff and workers' congress. In regard to the many day-to-day tasks of enterprises, such as carrying out the activities of technical innovation, organizing forces to tackle key problems in technology, untolding labor emulation campaigns, organizing the activities for making a public appraisal of the quality of different products, supervising economic matters and the management of work related to the welfare of the staff and workers; certain forms of democratic management can be adopted. In order to avoid the activities of democratic management becoming excessively concentrated

in a small number of people, it is necessary to allow more staff and workers to take part in the activities of democratic management in the various fields so that they all have the opportunity to exercise their rights as their own masters. This will play a great propulsive role in inspiring the sense of responsibility of the masses of staff and workers as their own masters.

### 3. Establish a Highly Centralized Directing System Headed by the Factory Director and Continuously Raise the Work Efficiency of Enterprises

In his brilliant work "On Authority" which Engels wrote over 100 years ago, he made a detailed discussion on the question that in the joint activities of socialized mass production, there should be a centralized and unified command. He said: "Attempting to abolish the authority in big industry means attempting to abolish industry itself, that is, restoring the hand-operated spinning wheels by abolishing steam spinning machines." He went on to say: "Here the first condition for the activities is that there should be a will which plays a dominant role and can handle all problems arising under its jurisdiction,--it is all the same whether what embodies this will is a representative or a committee which is in charge of carrying out the decisions of the great majority concerned. No matter what conditions we are in, we will meet with an authority which bears very clear expressions." ("Selected Works of Marx and Engels," vol 2, p 552-553)

In enterprises, thousands and even tens of thousands of people assemble together and go in for joint activities of production in a manner of both sharing the work and cooperating with one another. Without highly centralized and unified command, there would be nothing but confusion in this socialized mass production and it would be impossible to fulfill any production tasks.

The socialist nature of enterprises requires a high degree of democracy. This mainly refers to fully developing democracy in the policymaking about major issues. As for the routine activities of production and operations, there should be a highly centralized and unified command. Being both democratic and centralized is a major characteristic of the leadership system in the internal departments of socialist enterprises.

All enterprises without exception must establish a powerful administrative directing system headed by the factory director (or manager) so as to ensure the coordinated and highly effective advance of the various tasks of enterprises. The democratic management by the staff and workers is practiced under the leadership of the enterprise party committee with the staff and workers' congress as the main form. Major issues concerning production and operations as well as the welfare of the staff and workers should be decided by the staff and workers' congress after full deliberations and discussions have been made and the factory director should assume responsibility for carrying out the resolutions. Since these decisions are adopted by the staff and workers' congresses on behalf of the entire body of staff and workers, the latter have the duty to jointly observe and carry out the resolutions. Therefore, in the course of putting the resolutions into effect, the entire body of staff and workers also have the obligation to submit themselves to the unified command of the factory director. The masses of staff and workers are allowed to criticize the shortcomings and errors in the direction of the director and supervise him through democratic

procedures but they are obliged, in deeds, to subject themselves to the direction of the factory director and they should definitely not do things in their own way and do whatever they think is right.

To establish an administrative directing system headed by the factory director, the following problems call for solution:

First, clearly define the functions and powers and responsibilities of the factory director and choose and appoint a competent and capable factory director.

A state-owned industrial enterprise is an enterprise under the system of ownership by the whole people. The person in charge of the enterprise--the factory director or manager--has a dual status: he is both entrusted by the state to take charge of the operations and management of an enterprise and entrusted by the staff and workers' congress to carry out the resolutions adopted by the congress and to exercise the centralized and unified authority to command. That is to say, he is responsible both for the responsible departments of the higher levels and also for the staff and workers congress. In enterprises which practice the factory director responsibility system under the leadership of the party committee, the factory director should naturally also be responsible for the party committee. These relationships are fairly complicated. How to better handle these relationships remains to be further explored in the reform of the leadership system. However, the principles, policies, laws and decrees of the party and the state are unitary and all quarters and sides concerned must observe and carry them out. Therefore, these relationships are also unitary. No matter which side the director of a factory is responsible to, he is, in the final analysis, responsible for the principles, policies, laws and decrees of the party and the state. The director of a factory should conscientiously accept and safeguard the enterprise party committee and present work reports regularly to the party committee. However, when the director disagrees with a decision by the party committee, he may put forward his own suggestions for reconsideration. If he still has differing views on the result of the reconsideration, he is allowed to reserve his suggestions. While carrying out the decisions, he may report to the responsible units which will give a ruling.

The director of a factory must respect the functions and powers of the staff and workers' congress and present work reports according to the set regulations of the staff and workers' congress and carry out the resolutions adopted by the congress. But if he disagrees with a resolution submitted by the congress, he may put forward his own suggestions for reconsideration. If he still has differing views on the result of the reconsideration, he may report to the enterprise party committee for adjudication.

The director (or manager) of a factory is the chief leading member of the production and administration of the enterprise and is the legal representative of the enterprise. Therefore, whether or not the factory director is competent and equal to his duties has a great bearing on the work of the enterprise. The director of a factory must possess the "four requirements" (be more revolutionary, younger, more knowledgeable and specialized) and he can thus suit the requirements of a modern enterprise.

Because the factory director has a dual status, therefore the appointment and removal of the director must inevitably go through two procedures: one is that the higher organs of the enterprise first designate a candidate, gather the staff and workers congress' opinions on him and then appoint him director of the enterprise after he has been examined and approved by the staff and workers' congress. The other is that the staff and workers congress democratically elects the factory director, the appointment of whom will then be submitted to the relevant higher organs for examination and appointment. If he is not equal to the task and the staff and workers congress demand his recall, the congress should report this to the relevant higher organs for investigation and handling.

There have been concrete regulations concerning the specific conditions for and the limits of the functions and powers and responsibilities of the director of a factory laid down in the "Provisional Regulations Concerning the Work of the Factory Director in State-owned Factories." In the course of the overall reorganization of enterprises, the provisional regulations should be implemented step by step.

Second, establish a leading work group headed by the factory director.

In practicing centralized command of production and administration, the factory director is the chief leading member. The relationship between the factory director on the one hand and the cadres at the factory level, such as the deputy factory directors, the chief engineer, chief economic expert and chief accountant on the other is a relationship of the leader and the led rather than a parallel relationship. In the past, the "system of work division by factory directors" was practiced and this resulted in the multi-headed leadership relations in the enterprises. This was a tremendous drawback dampening working efficiency. In order to exercise centralized leadership, it is not appropriate to have too many positions of deputy chiefs. The rational organizational form must be a form in which under the factory director there is only one deputy director. At ordinary times, should the factory director fail to perform his duties for some reasons, as the assistant of the factory director, the deputy factory director may exercise the functions and powers of the factory director on the latter's behalf. That is to say, the factory director and the deputy director are responsible for the overall production and administration of the enterprise and there should not be any other deputy directors who are in charge of certain professional fields which the various chiefs and departments concerned should undertake. This will be conducive to practicing centralized command and raising working efficiency.

The factory conference which, under the direct leadership of the factory director, is composed of the deputy directors, various chiefs and other personnel who should participate, and is a work group under the leadership of the factory director and also an advisory group to the director. It discusses and studies the problems arising in the production and operational activities and the factory director makes the final decision on the results of collective discussions.

In order to strengthen centralized command over the production and operational work and raise working efficiency, some nonproductive work should be separated



from the production and operational work as far as possible. For instance, as for the work of the welfare of the staff and workers, a welfare service company may be set up which serves the enterprise as its affiliated organ. The study and handling of the problems in this field must not be mixed up with the problems concerning direction and production.

Third, establish a sensitive and powerful unified command from top to bottom.

Timely and unified command is an indispensable condition for modern production. In the routine work of production and administration of enterprises, stress should be laid on discipline and timeliness. For this reason, a from-top-to-bottom, sensitive and powerful directing system ranging from the factory headquarters, workshops to work teams and work groups should be set up.

The main management power in a factory is centralized in the factory headquarters and the power in which is centralized in the hands of the director. The relationship between the various factory functional offices and workshops is a relationship of professional direction rather than a relationship of leadership. In principle, the former cannot directly command the latter. Apart from directly handling some day-to-day professional duties within the limits of the regulations of the relevant functions and powers, the major decisions of the factory functional offices must go through the director and be transmitted to lower levels in the name of the factory director. The head of a workshop (subfactory) is mainly responsible for carrying out the instructions of the factory director, exercises the authority of centralized command in the internal branches of the workshop and implements the system under which the workshop head assumes full responsibility for production. The system under which the work team leader (section head) assumes full responsibility for production should be instituted among the work teams and work groups (sections) attached to the workshop. Each level of the internal departments of the enterprise is responsible to itself and to the directors at the higher levels.

In order to exercise a timely and unified command, the unified control organ of the whole factory must be strengthened. Some enterprises, such as the Shoudu Iron and Steel Company, have expanded the functions of the production control organ into those of production and operational control. This has not only controlled production activities in a timely way but also controlled the operational and management activities, thus giving fuller play to the role of unified control.

Fourth, Strengthen the Leadership of the Party Committee Over the Work of Enterprises Politically and Ideologically and Give Play to the Supervisory and Guarantor Role of the Party Committee

All undertakings of the socialist country must uphold the leadership of the party. This is an unshakable basic principle. The leadership of the party is mainly manifested in the line, principles and policies stipulated by the party. However, the party organizations at the various levels should spur on the broad masses to ensure and realize the implementation of the line, principles and policies of the party.

The enterprise party committee is the party's basic organization in enterprises. Regardless of whether the system of staff and workers congresses and the system under which the party director assumes full responsibility for production under the party committee are practiced or other forms of the leadership system are practiced, the party committee must be the core leadership force over political and ideological matters in enterprises.

The 3d plenary session of the 11th CCP Central Committee pointed out that it was necessary to overcome the phenomena in which there was no separation between the functions of the party and those of the government and between the functions of the government and those of the enterprises. This is the reform orientation which is aimed at countering the drawbacks existing in the previous leadership system. Separating the functions of the party from those of the government precisely means strengthening the leadership of the party over enterprises rather than weakening the leading role of the party. With no separation between the functions of the party and those of the government and with the party carrying out the functions of the government, the party committee used to concern itself with the large number of production and administrative tasks and all matters, big or small. This was in fact an act of lowering the status of the party committee to that of an administrative organ. Boggled down in everyday routine, the party committee failed to give play to its leading role in the political and ideological matters of enterprises from the higher plane of the party's principles and policies. This state of affairs has not only actually weakened the leadership of the party but also reduced the sense of responsibility of the leading personnel at the various levels of the administrative system and its affiliated sectors. On the one hand, the party committee was boggled down in meetings all day long and on the other, many important tasks in production and administration were in a situation of having nobody being responsible.

With the separation of the functions of the party and those of the government, the party committee exercises leadership mainly over the implementation of the party's principles and policies and ideological and political work and assigns the production and operational activities of enterprise to the factory director to be put under his unified command and his overall jurisdiction.

Whether the system under which the factory director assumes full responsibility for production under the leadership of the party committee or other forms of leadership system are practiced, if the factory director is a party member, he is responsible for presenting work reports to the party committee and should heed and respect the opinions of the party's organizations on some major issues in his work. Even if he is not a party member, as a non-party leading cadre, he should act similarly and place himself under the leadership of the party committee.

The staff and workers congress is the organ of power of enterprises for making decisions democratically. Regardless of whether the system of a staff and workers congress under the leadership of the party committee or another form of leadership system is practiced, the staff and workers congress must also respect the leadership of the party committee over ideological and political matters. The representatives to the congress who are party members must, needless to say, unconditionally carry out the resolutions of the party

committee and unite with the representatives who are non-party members to make concerted efforts to implement the party's principles and policies.

In order to exercise the leadership of the party committee over the enterprises, the party committee must give play to its propaganda and organizational role and to the leading and exemplary role of the party members among the masses. It must carry out ideological and political education among the masses of staff and workers, lead the staff and workers of the whole factory in adhering to the socialist orientation, carrying out the party's principles and policies and state laws and decrees so that the enterprise can develop along the correct course by relying on the mass organizations, such as the trade unions and the Communist Youth League.

In establishing a leadership system which is both democratic and centralized in the internal departments of enterprises, apart from the party committee itself having to uphold the principles of democratic centralism and exercise collective leadership, the party committee must educate the vast numbers of staff and workers to concern themselves with the state and the enterprises in the spirit of being the masters of the country, to correctly exercise their democratic rights as their own masters, to correctly handle the relationship of interests of the state, the enterprises and the individual staff and workers and to give full scope to the role of the staff and workers congresses at the various levels and of the organs of democratic management. At the same time, the party committee must also educate the broad masses of staff and workers to conscientiously observe work discipline in a manner of being the masters of the country, to respect the functions and powers of the factory director in production and administrative work and heed the controls of the administrative direction systems at the various levels.

While exercising leadership over ideological and political matters in enterprises, the party committee must simultaneously bring its supervisory and guaranteeing role into play in production and administrative work.

Supervision and guarantee are the two sides of a single coin. Now that the leadership of the party committee is mainly aimed at exercising leadership over the implementation of the party's principles and policies, if the staff and workers congresses and the factory directors deviate from the party's principles and policies, the party committee must give play to its supervisory role and correct their mistakes by persuasion. On the other hand, if the decisions adopted by the staff and workers congresses and the commands of the factory directors tally with the party's principles and policies, the party committee must support them and mobilize all party members to spur on the whole body of the staff and workers to ensure their realization.

Some comrades hold the opinion that the party committee only playing a supervisory and guaranteeing role in the production and administrative work of enterprises means reducing the position and role of the party committee. This is a misunderstanding. Carrying out supervision and guaranteeing and supporting what is correct and correcting what is wrong are precisely the two styles of leadership, neither of which can be dispensed with, with which the party committee implements the party's principles and policies.

To give play to its leading role, the party committee must perfect its own organizations, strengthen its building ideologically and politically, raise the political consciousness and political quality of all party members so as to enable them to become the guides of the broad masses. The secretary of a party committee must have both very high ideological and political levels and certain professional knowledge. Organs of the party committee should be provided with some competent cadres. Apart from the organization, propaganda, party discipline inspection and other departments, it is still foreseen that a policy research office should be set up with someone being put in charge of thoroughly studying the party's principles and policies and conducting investigations and study of the actual conditions of enterprises. In this way, we can offer a correct guide to the work of enterprises with a definite target in view.

CSO: 4006/493

## ECONOMIC PLANNING

### REPORT ON TIANJIN GOVERNMENT WORK AT PEOPLE'S CONGRESS

Tianjin TIANJIN RIBAO in Chinese 9 Apr 82 pp 1-2, 4

[Article by Hu Qili [5170 0796 4539], mayor of Tianjin Municipality: "Unite To Develop the Excellent Situation and To Strive for New Victories in 1982-- Report on Government Work to the Third Session of the Ninth Municipal People's Congress on 29 March 1982"]

[Text] Fellow Deputies:

Last October, I reported to the Second Session of the Ninth Municipal People's Congress on the work of the government since its inception. Only 5 months have passed since the last session, but the situation has developed rapidly during this short period. Meanwhile, the central authorities have made many new important policy decisions on the socialist modernization drive in our country and laid down very important militant tasks for the whole party and all people throughout the country. The Fourth Session of the Fifth National People's Congress also laid down 10 principles for developing the national economy. Later, in the symposium of first secretaries in various provinces, municipalities and autonomous regions, Comrade Hu Yaobang called for the promotion of both material and cultural developments which have since produced new satisfactory results. Comrade Chen Yun also issued a series of important directives on economic work in which he pointed out that planned economy should still prevail and the regulation by the market can only be supplementary; that the construction of the whole country must be carried out in a sequence and in the order of importance and urgency; that people must have sufficient food and construction must be carried out as a matter of fundamental principle; and that the correct policy on economic work involving foreign countries must be upheld. Not long ago, the Standing Committee of the National People's Congress made important decisions on restructuring the State Council and on severely punishing the criminals who had seriously undermined the economy. In the national industrial and transportation conference, Premier Zhao Ziyang reiterated the need to improve economic results as a guiding thought in economic work. All these events are of great significance in our socialist modernization program. Now, on behalf of the municipal government, I will report for your deliberation and examination on the way to implement this series of important policy decisions, to develop the excellent situation in unity and to strive for new victories in 1982.



## I. Carefully Size Up the Situation, Strive To Open Up New Prospects

As pointed out by the leading comrades in the central government, our socialist modernization drive has now reached a crucial stage. The question of whether we can truly open up a new prospect and lay a firm foundation for various aspects of our construction in the new several years is of decisive significance in the development in the next 10-20 years.

Since the Third Plenary Session of the 11th Party Central Committee, we have reaffirmed the Marxist ideological, political and organizational lines, formulated a series of principles and policies suitable for our national conditions on socialist modernization, adopted powerful measures to rectify our party style, to enforce party discipline and to revive the party's fine traditions, and completed the task of setting things right with respect to the guiding thoughts. The great achievements in real work have enabled the party and the state to return to the path of vigorous development.

Under the correct leadership of the Party Central Committee and the State Council, the situation in our municipality, like that in the whole country, is improving every year with new progress in every field of work.

In economic work, we have conscientiously implemented the policy of readjustment, restructuring, reorganizing and upgrading, vigorously developed light and textile industries, actively restructured the system of enterprise management, and made great efforts in consolidating the labor discipline and production order in the enterprises so that the national economy in the municipality could maintain its steady and sustained development along the correct path. Last year, the total industrial output value in the municipality reached 20.66 billion, an increase of 6.5 percent over 1980 and 29.1 percent over 1978, or an average progressive increase of 8.8 percent each year for the past 3 years. Thanks to the introduction of the system of responsibility for production in various forms, we still reaped a fairly good agricultural harvest despite serious droughts, typhoons, hail-storms and other natural disasters. The cash crops in particular increased their yields by a wide margin, economic diversification developed very rapidly, and the whole countryside was full of vitality. In capital construction, our efforts were mainly directed at repairing or rebuilding the houses damaged by the earthquake. A total of 1.63 billion yuan was invested in capital construction last year, and an area of 4.5 million square meters in floorspace was completed for various types of houses, including a floorspace of 3.12 million square meters for residential housing. Public utilities and auxiliary engineering projects were at the highest level in history. Our economic and trade relations with foreign countries continued to expand, and we achieved fairly good economic results in using foreign funds on the technical transformation of old enterprises. Our work in commerce, finance and banking was also fairly successful. Since the beginning of this year, industrial production has continued its upward trend, and the total output value in January and February exceeded that of the same period last year by 7.8 percent. In the countryside of the outlying counties, an upsurge in spring farming has been whipped up with fighting the prolonged drought as the central task. Capital construction, mainly for the purpose of resisting earthquakes

and providing relief, had been undertaken in good time and was quickly completed. Thanks to the strong support from the people in Henan, Shandong and Hebei, the work of drawing water from the Huanghe River into Tianjin--the work of great concern to people throughout the municipality--has been completed in triumph. All-out efforts have already begun in drawing water from the Luanhe River into Tianjin, and more than 30,000 people are now at the work-sites. The work is proceeding rapidly.

In political and ideological work, we have markedly raised the ideological consciousness of the broad masses of cadres and people through criticizing the "two whatsoevers" and the cult of personality, holding discussions on the question of the criterion of truth, conducting education in the four basic principles, and particularly studying the "Resolution" adopted by the Sixth Plenary Session of the 11th Party Central Committee. The number of people looking backward is much reduced, while more and more people are looking forward. New achievements have been made in science, culture and education, and social order continues to improve. People throughout the municipality are now united as one on their march toward the goal of socialist modernization. Advanced and exemplary elements on all fronts and good people and good deeds are emerging in an endless stream. Early this year, She Anli [0152 1344 4339] and three other brave men jumped into the icy water to rescue the drowning children, and more than 100 others cooperating in the rescue work scored a victory for the socialist cultural development. The "National Socialist Ethics and Courtesy Month," which began in March, has also brought about a change in the sanitary conditions, the traffic order, the quality of service, and the social atmosphere.

For the improvement of people's livelihood, the party and the state have done more work since the Third Plenary Session of the 11th Party Central Committee than it has ever attempted, despite the financial difficulties. Last year was one of serious natural disasters for the municipality, but the income of our people was increased nevertheless. According to a typical survey on 402 households, the peasant's income from collective distribution and from household sideline occupations was 7.2 percent more than in the previous year. At the end of last year, the commune members' savings deposits totaled 157 million yuan, a 48.6 percent increase over the amount at the end of the previous year. The commune members' newly built houses totaled 3,420,000 square meters in floorspace, and approximately 400,000 people have moved into their new homes. What is more gratifying is that more than one-half of the poor production teams have changed their complexions, and some of them have even become wealthy teams. The real benefits brought about by the principles and policies adopted since the Third Plenary Session of the 11th Party Central Committee were publicly acknowledged in the countryside and clearly shown in the cities. In recent years, we have mainly directed our efforts in overcoming the effects of the earthquake and in taking care of the workers' daily needs. Last year, we completely tore down more than 50,000 improvised shacks erected in the streets and small lanes, as well as public places, and helped some 145,000 residents of more than 33,000 families move into their new homes, thus ending the predicaments which these people had experienced for many years in their daily lives because of the housing problem. All the important policy decisions made in the Second Session of the Ninth Municipal People's Congress were carried out according to schedule. The income of workers and staff members has

been increased because of three wage readjustments by the state since 1977. In accordance with the State Council's decision, we are now readjusting and upgrading the wages of teachers, workers and staff members of primary and secondary schools and some medical and sports personnel. The average wage (including bonuses and various subsidies) of the workers and staff members in the municipality was increased from 596 yuan in 1977 to 805 yuan in 1981, a 35 percent increase. The welfare benefits enjoyed by workers and staff members under the labor protection plan have been increased not only in the number of items but also in the amounts of money. The welfare expenses for workers and staff members in units owned by the whole people was increased from 178,700,000 yuan in 1978 to 386,850,000 yuan in 1981, an increase of more than a double. Every year, the state spends huge sums of money in subsidizing people's livelihood, but such subsidy is not directly shown in people's income. In 1981, for example, the municipal government spent some 160 million yuan as price subsidy for grain, cotton, edible oil and coal; another 93 million yuan as subsidy for losses on the sales of meat, eggs, vegetables and other nonstaple foods; and more than 18 million yuan as subsidy for monthly bus tickets, firewood, chimneys and so forth. Last year, the state spent some 111 million yuan in drawing water from the Huanghe River into Tianjin to ensure the supply of water for industrial production and the daily needs of the city population. Job opportunities have also been increased. In 3 years from 1979 to 1981, more than 610,000 persons were given jobs through various channels, averaging more than 200,000 persons each year. At present, 62 percent of our total city population are employed, and the number of persons to be supported by each worker has dropped to 0.48. There has been a rise in the price index in the past 2 years, but the increase of workers' income has been faster. By the end of last year, the savings deposits of the urban population totaled more than 838 million yuan, an 18.9 percent increase over the previous year. This is an important sign of the improvement of people's livelihood and the people's ease of mind. We can assert that aside from the personnel of the party and state organs who are not eligible for the bonus system, and those engaged in science, culture, education and public health, or working for the administrative units, whose income has not been appreciably raised, or not been raised at all, the vast majority of workers and staff members are now enjoying a higher standard of living.

In short, the economic and political situation in our municipality has undergone marked changes since the Third Plenary Session of the 11th Party Central Committee. Without the correct line, principles and policies adopted since this Third Plenary Session, there cannot possibly be such an excellent situation today.

While looking at our achievements, we must also note the problems and difficulties as well as the new conditions emerging in a new situation. The development of the national economy in the municipality cannot be considered slow, but the economic results are not ideal enough. The increase in our national income is less than the increase in the total industrial and agricultural output value, while the increase in the profits handed over to, and the taxes collected by the government is less than the increase in the national income. There is also the shortage of water and energy resources as well as raw and semifinished materials. This is still a serious obstacle to the development of



our production. We have broken through our self-imposed blockade and adopted an open-door policy in our economic relations with foreign countries. This action is entirely correct, and the success achieved has been remarkable. However, because of the anarchism and extreme individualism incited by Lin Biao and the "gang of four" during the 10 years of turmoil and their harmful effects on the society, and the fact that our ideological and political work and the necessary measures to be taken were not prompt enough in dealing with the corrosion by capitalist ideology, violations of law and criminal activities in the economic sphere have increased a great deal, thus contaminating our social atmosphere and seriously damaging the cause of socialist construction. We have adopted the policy of revitalizing our economy at home and accordingly delegated certain financial power to the lower levels in order to arouse enthusiasm in various quarters and to stimulate economic development. However, some departments and enterprises are only concerned with their own interests, and the result is that departmentalism, decentralism and the liberalistic tendency have combined to weaken and upset the state's unified plan for the whole country. There are also many defects in the management system and the cadre system which are inconsistent with the requirements of socialist modernization.

Recently the central authorities called on us to behave like resolute, sober-minded and worthy Marxists, meaning that we must firmly adhere to the four basic principles, have a strong faith in the correctness of the line, principles and policies adopted since the Third Plenary Session of the 11th Party Central Committee, and must not waver in the face of certain problems. They also called on us to be soberly aware of the seriousness and dangers of the corrosive effects of capitalist ideology and the bourgeois liberalistic tendency instead of ignoring them or allowing them to spread unchecked; and to be far-sighted at this important juncture so that we will have sufficient energy and mettle to correctly implement the strategic policy decisions of the central authorities, to open up new prospects, and to lay a firm foundation for a powerful and modern socialist country.

To open up new prospects and to lay a firm foundation, we must politically and ideologically oppose capitalist ideas, and particularly the corrosive international capitalist ideas, with unflinching determination, and steadfastly combat all forms of degeneration. We must restructure the system of leadership, simplify our administration, overcome bureaucratism, raise our work efficiency, reorganize our ranks, and strive for a greater improvement of our social order, social morality and our party style. In the economic sphere, we should continue to bring into play our industrial resources in order to achieve better economic results. Continued efforts should be made to give play to our agricultural potential and to bring about a vigorous development in economic diversification. We should take full advantage of any favorable international situation so as to develop our economic relations with foreign countries rapidly. We should also make further efforts in increasing revenues and curtailing expenditures, and in preserving the basic stability of commodity prices so that our finance, banking and commercial circulation will undergo a more health development. Under the direct leadership of the municipal party committee and the supervision of the Standing Committee of the Municipal People's Congress, the municipal people's government is determined to join the people of the municipality in working hard with great energy in order to contribute to the opening up of new prospects.

## 11. Strive To Do Economic Work Well With the Improvement of Economic Results As the Core

Ever since the Third Plenary Session of the 11th Party Central Committee, to improve economic results has been all along the guiding thought adopted by the Party Central Committee and the State Council for developing the national economy. The 10 principles laid down in the Fourth Session of the Fifth National People's Congress for Economic construction and the series of instructions recently issued by the leading comrades of the central authorities on economic work further stressed the need to improve economic results as the core of all economic work in production, capital construction and circulation. This is the lesson we have learned from our experiences in 32 years following the founding of the People's Republic. In studying all economic problems hereafter, we must treat the improvement of economic results as the basic starting point in order that our economy can more effectively continue its development.

Our national economy has undergone very great developments since the founding of the People's Republic. There is, however, an outstanding problem, that is, the fairly poor economic results. Although the economic results of our municipality's industrial production are above the national average, we are still lagging far behind Shanghai and the other advanced regions. The rate of industrial growth in our municipality from 1950 to 1979 was by no means below that of Shanghai, but our economic results continued to decline. Among the five economic indices, namely, the output value produced by every 100 million yuan's worth of fixed assets, the profit produced by every 100 million yuan's worth of fixed assets, the profit and tax from every 10,000 yuan's output value, the output value per worker and staff member, and the profit and tax generated by each worker and staff member, we were above Shanghai in three of them with the fourth one approaching Shanghai's standard during the early post-liberation period. In 1957, however, the rise in these economic indices began to slow down and some of them even blackslid; and by 1965, we were behind Shanghai in all these indices. We have paid attention to economic results since the Third Plenary Session of the 11th Party Central Committee, and apart from the index of profit and tax from the output value, we were closer to Shanghai in the four remaining indices. However, the improvement is still very slow. At present, the total number of workers and staff members doubles ours, but their total industrial output value trebles ours and their profits and taxes to the state quadruple ours. Compared with Shanghai, we are producing less high-grade products, less famous brand products, less highly competitive products and less designs and varieties. Some of our products are even unwanted on the market because of their poor quality. Thus the overstocking of these products is tying up large sums of funds, resulting in waste.

There are both objective and subjective causes for our poor economic results. Subjectively, we have for a long time ignored the need for an overall balance and the importance of economic results. In industrial production, we were only concerned with speed and output value and paid little attention to the rise of various economic indices and the production of goods in demand. In capital construction, we usually stressed the full use of the amounts of investments and ignored the need to shorten the construction periods and to carry out

auxiliary projects, thus delaying the completion of the projects and their full operation. In circulation, there were too many intermediate links but few channels. The feedback of information on the market situation was not prompt enough, and consequently production and consumption were not closely related, thus adversely affecting commodity circulation. Management was chaotic in many enterprises, and there was serious waste. This is an obstacle to the improvement of microeconomic results. After the expansion of decision-making power for the enterprises, some of these enterprises and trade were only concerned with their own interests, and paid no attention to social needs. Their blind production tended to ignore the need for macroeconomic results.

To change these conditions, we must first set right the guiding thought in economic work and strive to produce more goods needed by the society with the minimum expenditure of labor and materials and at a realistic and unexaggerated rate. A high rate of production is certainly desirable; however, if the rate has been grossly exaggerated and the economic results are poor, it will be not only useless but also harmful. Therefore, it is better to be realistic than to gloat over some undeserved reputation and to suffer real damage. The main problem now is not the disregard for speed, but the disregard for results. We must strive to form a unity of speed and results. While maintaining a certain speed, we should pay even greater attention to economic results. We should treat the improvement of economic results as a matter of prime importance, and on the basis of such an improvement, strive for a high speed. The key to such success is for the enterprises to produce such goods as are wanted in the society. This is no easy task, since social needs are not always ready for us to see. They are noticeable only during periods of sluggish sales or panicky purchasing. That is why our plans cannot accurately reflect social needs, causing blind production and overstocking of some products. Another problem is that after the expansion of decision-making power for the enterprises, some enterprises decided on their economic activities in accordance with their own interests; and some of their decisions did not suit social needs, while others even ran counter to them. In this case, we should strengthen our guidance through planning and our administrative intervention, and at the same time teach the cadres to bear in mind the overall situation so that partial interests will be subordinated to overall and state interests with the improvement of the overall social economic benefits as the result. All enterprises should attach primary importance to the production of goods in demand in accordance with state plans. If the products are unwanted on the market and have to be stockpiled instead of being sold, then the more the products, the greater will be the waste, and there will be no economic results to speak of. In future, we must act in accordance with the basic socialist economic laws, follow the state's unified plans, and produce more marketable goods of good quality, novel varieties and low production costs to satisfy social needs in production and daily life.

This year, in industrial and agricultural production, capital construction, domestic trade, foreign trade and all types of economic work, we must regard economic results as our basic starting point, the entire process and the final goal of our work.

In production, continued efforts should be made in industry to produce more marketable consumer goods, to accelerate the readjustment of the service orientation of heavy industry and to make new progress in the improvement of economic results. This year, we will strive to increase our profit from every 100 yuan's output value by 1 yuan; lower the production cost of comparable products by 2 percent; raise the output value per worker and staff member by 2 percent; lower energy consumption on every 10,000 yuan's output value by 3 percent; and shorten the turnover period of circulating funds by 5 days. On this basis, we aim to increase our total industrial output value by 6 percent, or higher, through some extra effort. The people engaged in agriculture in the outlying counties should adhere to the principle of insuring that planned economy plays the key role and that regulation by the market plays the supplementary role, and the policy of serving the city, and strive to increase the production of vegetables, milk, meat, fish, eggs, poultry and other nonstaple foods to keep the city well supplied. They must not relax their efforts in grain production and economic diversification. They should systematically work for the four "300,000's," that is, to reclaim and utilize 300,000 mu of beaches, 300,000 mu of barren mountains, 300,000 mu of saline-alkali soil, and 300,000 mu of fresh-water surface. They should gradually set up a rational production pattern for the comprehensive development of economic diversification, and strive to improve the comprehensive economic results in agriculture. At present, we should sum up our experiences, continue to perfect the system of production responsibility, step up scientific research in agriculture, actively popularize the research results, energetically conserve our water resources in order to combat the drought, and strive for a bumper harvest this year.

In capital construction, we should continue our main efforts in repairing and rebuilding what has been damaged or destroyed during the earthquake and attach primary importance to housing projects. We plan to complete 3 million square meters in floorspace, and then proceed with the building of factories for the treatment of contaminated water and the production of gas, and the Daguangming bridge as well as other urgent municipal engineering projects and auxiliary public utility projects. In drawing water from the Luanhe River this year, we have to cut a tunnel through the mountain and complete the main structural buildings so as to ensure that the tunnel will be ready for the passage of water next year. We should carefully attend to the important projects of technical transformation in industry so that they can be quickly turned into productive forces. In all capital construction projects, we must strive to raise the engineering quality, shorten the construction periods, and lower the engineering costs. It is even more important that the auxiliary facilities for public utility in the municipality be improved so that they can be used as soon as they are completed. All construction enterprises in the municipality should raise the area of completed work per worker and staff members above last year's and lower their construction costs by 3-5 percent. We should increase the production of building materials of fine quality, and see to it that they are amply supplied.

In circulation, the commercial departments must increase their activities in procurement and marketing according to plans, and set the urban and rural markets in good order. It is anticipated that the volume of retail sales this year will be increased by 7-8 percent over last year, and it is necessary that



the expenses incurred in commodity circulation be reduced by 5 percent below last year. There should be a new development in our foreign trade, and the value of commodities procured for the foreign trade should be markedly increased. The expenses in the circulation of commodities for foreign trade should be reduced by 10 percent, and efforts should be made to lower the production costs of commodities to be exported for foreign currency. The domestic trade and the foreign trade departments and particularly the service trades and basic-level stores must work hard to improve their attitude toward service. They must have a keen sense of responsibility, be modest and cordial in receiving customers, and raise the quality of service.

Our work in finance and banking should be further improved. This year, according to the tasks assigned by the state, our municipality should hand over 4,202,600,000 yuan; our total expenditures should be 1,734,410,000 yuan; the amount of currency to be withdrawn from circulation should be 140 million yuan; and our subscription to the treasury bonds should amount to 99.1 million yuan. There are many difficulties in our task of handing over to the state this sum, and all departments should tap their resources and try every means to increase their revenues and curtail their expenses in order to make greater contributions to the state.

The improvement of economic results involves a wide range of problems, especially the problems of economic system and economic structure. Before the reforms in our economic system and economic structure, we must proceed from realities and carefully attend to the following jobs.

First, actively readjust the product mix according to social needs.

In the past several years, our efforts were mainly directed to the increase of consumer goods and readjustment of the proportionate relationship between heavy industry and light industry. This task is far from completed and continued efforts are still necessary. This year, we should readjust the product mix according to state plans and the situation of supply and demand on the market and should regard this as the focus of our work. The production of terylene blended fabrics and other products which have been over-produced and are not selling well should be resolutely reduced in accordance with state plans. At the same time, based on social needs, we should improve the quality of products and increase their designs and varieties. Continued efforts should be made to consolidate and further improve the products which have won gold and silver medals. We should also try our best to create famous brands and fine-quality products out of the 42 confirmed key products; and, by pooling our technical resources, we should endeavor to raise the quality of sewing machines, laundry machines and another 29 products to the level of brand-name products. By speeding up the research and manufacture of new products, we plan to produce 1,500 varieties this year on the basis of our achievements last year. The heavy industry should provide more and better raw and semifinished materials and equipment of good performance for technical transformation in agriculture and light industry. In short, we must increase the production of whatever is in short supply, reduce the production of whatever is in excessive supply, produce new products, improve the quality, and upgrade our products.

Second, vigorously carry out the all-round reorganization of enterprises and improve their basic management.

We have done a great deal of work in reorganizing the enterprises, but this is still a weak link in our work. In accordance with the "Decision of the CCP Central Committee and the State Council Concerning the All-Round Reorganization of State-Run Industrial Enterprises," we will devote 2 or 3 years, beginning this year, to the all-round reorganization of these enterprises, by groups and at intervals and in a planned and systematic way, taking into account the experiences gained in selected enterprises and their popularization in other enterprises. As our first step, we will select more than 100 enterprises--which have good production potential, can produce better economic results, and are in urgent need of reorganization--as the first group of experimental units. In reorganizing the other enterprises, we should universally study and popularize the experiences of the top-notch plants in various trades and mobilize the masses in the task of creating "six-good" enterprises.

In carrying out the all-round reorganization of enterprises, we should first attend to the building and consolidation of the leading bodies. The urgent task of the moment is to promote the qualified young and middle-aged cadres to leading posts at various levels. In the national conference on industry and transportation recently held, Premier Zhao Ziyang made even higher demands on the qualification of factory directors. The managers and assistant managers, and the directors and vice directors of plants to be newly elected should be, if at all possible, under 50, but certainly not over 55 years of age; and the party secretaries and responsible persons of workers' congresses can be slightly, but not much, older. The newly promoted directors of large backbone enterprises must have received university education; they must have at least graduated from secondary vocational schools or acquired similar qualification through self-study. We will reorganize the present leading bodies in accordance with the "Provisional Rules and Regulations on the Work of State-Run Plant Directors" and bring into play the role of plant directors in directing production. All enterprises should strengthen their basic management, arrange their production according to fixed numbers of workers and fixed quotas, and carefully attend to the rotational training of cadres and the training of workers so as to raise the standard of their management. We should improve our financial system in coordination with the general financial inspection, exercise careful financial control, close all loopholes and rectify the practice among some units and enterprises of being irresponsible for the property of the state or the collective and causing serious waste. We should combine political-ideological work with economic work, strengthen ideological education among the workers and staff members, and enhance the masses' sense of being masters of their own affairs. To make the reorganization of enterprises a success, we have already worked out a concrete program of action whereby some responsible comrades in the municipal government will lead specially organized groups to the basic level units to help the enterprises ascertain the situation, solve problems, sum up experiences and to strive for a marked improvement in enterprise management this year.

Third, carry out technical transformation and equipment renovation among existing enterprises in a planned and systematic way.

One of the important causes of the poor economic results in our industry is the out-dated equipment and backward technology. Beginning this year, we will carry out technical transformation and equipment renovation according to the State Council's "Decision on Carrying Out Technical Transformation Selectively and Systematically Among Existing Enterprises" as a strategic task for our municipality, which should occupy a prominent place. We will strive for the basic completion of technical transformation and equipment renovation among the key and principal enterprises and enable these enterprises to reach advanced domestic and world levels during the Sixth Five-Year Plan period. Particular attention should be paid to the comprehensive utilization of energy and other resources, the treatment of the "three wastes," and the improvement of environment and economic results. This year, the various funds to be used on technical transformation and equipment renovation as approved by the state for our municipality almost doubles that of last year. This is a very great support for us. We must make great efforts to work on the 300 and more important projects already arranged. Technical transformation should be coordinated with industrial reorganization. We should follow the example of the Sezhi Company in carrying out technical transformation and equipment renovation trade by trade along the lines of specialization and cooperation and in an economically rational way. We should also rationally organize our scientific and technical forces from various quarters, from "three-in-one combination" groups consisting of leading cadres, scientific and technical personnel and veteran workers, and pool the resources in solving the key technical problems affecting the important economic and social benefits in the national economy of the municipality.

Fourth, improve the industrial-commercial and industrial-foreign trade relations and clear the trade channels.

We did some work for several years in improving the industrial-commercial and industrial-foreign trade relations. However, the problem of poor coordination between the supply of materials, production by the enterprises, sales of commodities, and several other important links could not be satisfactorily solved, thus handicapping the improvement of economic results. To really solve this problem, we should first set right our business mentality. The industrial, commercial, material, foreign trade and other departments must attach primary importance to state interests and social needs, overcome departmentalism and decentralism, and strengthen their unity and cooperation. The industrial departments are required not only to increase their production, but also to be good at business operation. They should keep abreast of the situation of supply and demand in the society and organize their production in accordance with their procurement contracts with the domestic and foreign trade departments and the market demands. The commercial and foreign trade departments should step up their work in market surveys and forecast, supply timely information to the production departments on supply and demand on the home and foreign markets, actively promote sales and support industrial production. In February this year, the transactions at our municipal trade fair totaled more than 700 million yuan, a nearly 30 percent increase over last year, and many commodities not much in demand before were quickly sold here. This shows the important role of sales promotion. In such a big market as that of our country, even some overstocked goods can be sold as long as we strengthen our investigations

and study, clear the channels of commodity circulation, and step up our sales promotion work. We should exert our efforts in improving the business methods of the first, second and third level procurement stations, bring about closer relations between wholesale and retail sales, and particularly clear the channels between urban and rural areas. Continued efforts should also be made in holding trade fairs, exhibition and sales meetings, and year-end sales, and in adopting various effective forms of promotion in order to increase the sales.

Prior to a basic restructuring of our economic system, we should act in accordance with the spirit of "making new policy decisions under an old system, carrying out innovation and blazing new trails" and adopt certain alternative methods for improving business operation. First, we can learn from the experiences of Shanghai and Changzhou, and in those trades with favorable conditions, organize the integration of production, supply and marketing. Second, we can reduce the intermediate links between raw materials, semifinished products and finished products in circulation within the municipality, and try the method of direct material supply and one-time tax on final products. Third, we can practice a strict system of contracts between industry and commerce and between industry and foreign trade so that any party violating the contract will be held economically liable. Fourth, proceeding from macroeconomic requirements, we can use the necessary administration intervention to adjust the relationship between supply and demand. If conditions permit, some units can organize the exchange of cadres among the industrial, commercial and foreign trade departments so that they will better understand one another, clear the channels and strengthen their cooperation.

Fifth, actively develop economic relations with foreign countries and economic integration at home.

As the leading comrades of the central authorities have many times pointed out in carrying out our socialist modernization, we must utilize two different resources (domestic and foreign resources), open two markets (domestic and foreign), and learn two sets of skills (the skill to organize domestic construction and the skill to develop economic relations with foreign countries). This is a further confirmation of the strategic position of economic relations with foreign countries. Tianjin is a port-city with good transportation facilities, good processing techniques, and abundant labor power. We must fully utilize these strong points to improve our economic relations with foreign countries and to promote economic integration at home.

The vigorous development of economic relations with foreign countries is a strategic question with a bearing on our four modernizations program. In the contemporary world, the economy of any single country cannot be developed in isolation. We must have the courage to broaden our vision so that instead of being confined to our own country, it will cover the whole world. We must, as the old saying goes, "take the strong points of the world to make up for our own shortcoming." In dealing with foreign countries, it is certainly a disgrace to worship anything that is foreign and to be subservient to foreigners; but closing the country to international intercourse and indulgence in self-exultation must also be opposed.



The general principle behind our economic relations with foreign countries as defined by the central authorities is: unified leadership, overall planning, flexible response and strict discipline. Guided by this principle, we should first boost our export trade. Exports are the basis of foreign trade, but imports can also bring along and promote exports. Therefore, we should utilize imports to serve the expansion of exports and vice versa. Based on our market conditions, and while continuing to expand the export of our traditional nonstaple foods, arts and crafts, and light and textile industrial materials, we should pay particular attention to the export of mechanical and electrical appliances in larger amounts. We should take advantage of our processing technology to develop the industry of processing materials supplied by customers according to their samples or blueprints and to promote joint ventures, so that the finished products from imported materials will account for more than 50 percent of the value of products to be procured for foreign trade. We must improve our business methods to expand our exports. Instead of "sitting down to wait for business," we should go out to look for business. At the same time, we should make great efforts to develop the export of labor and do better in serving foreign vessels, offshore oil exploitation and tourism so as to increase our nontrade foreign exchange earnings.

While expanding our imports and exports, we should be good at attracting foreign funds and correctly importing advanced science and technology and pay great attention to the work of assimilation, copying and innovation, so as to raise our scientific and production techniques to a higher level. We should adhere to the principle of attending to large, small and medium-size projects at the same time, but paying greater attention to the small and medium-size ones, and take bigger steps in the use of foreign funds. We have arranged the importation of 132 technical projects through the use of foreign funds this year. We must stress economic results and be sure that they will all be completed. Furthermore, we should conduct active experiments in the use of foreign funds for the exploitation of our agricultural resources.

In accordance with instructions from the central authorities that the coastal areas should support and serve the inland, we have in the past 2 years actively developed economic and technical cooperations and integrations with the fraternal provinces, municipalities and regions through various channels and in various forms under the principle of equality and mutual benefits. By now, we have already held discussions with 21 fraternal regions and are proceeding with more than 190 projects, which will play a positive role in developing the economy of our municipality and the inland. We will, hereafter, continue our economic and technical exchanges, integrations and cooperation with the fraternal provinces, municipalities and regions in various forms so that we can use the strong points to make up for the shortcomings for a common advancement and the development of the national economy as a whole.

### III. Resolutely Combat Various Forms of Corruption With Illegal and Criminal Activities in the Economic Sphere As the Main Target

Cracking down on illegal and criminal activities in the economic sphere is an important issue in cultural development. Since the beginning of this year, the Party Central Committee has issued important directives, the Standing Committee

of the National People's Congress has made decisions, and the State Council has worked out concrete plans, all calling on us to fully realize the seriousness, harmful effects and dangerous nature of smuggling and selling smuggled goods, profiteering and swindling, graft and accepting bribes. They specifically pointed out that the illegal and criminal activities in the economic sphere in the past 2-3 years were far more serious than during the periods of movements against the "three evils" and "five evils"; and that in the ideological and cultural spheres as well as in regard to the social atmosphere as a whole, corrosion by the corrupt capitalist ideology and the remnants of feudalism, and the practice of worshipping and having blind faith in anything that is foreign are something rarely seen since the founding of the People's Republic. If we allow them to spread unchecked instead of cracking down on them, more and more people in the party and the state will become degenerated, and these people will in time become incurable. Then there may be a "peaceful evolution" which will nullify the fruits of revolution won by our party and people through hard struggles. Cracking down on smuggling and the selling of smuggled goods is an important component of the overall struggle against the corrosion from capitalist ideology and bourgeois liberalization, as well as an important sign of class struggle at present. This is a very important matter that determines the very existence of the party and the fortune of the state. We must follow the central authorities' instructions, and carry on this struggle with a united will and the united efforts of the army and the people at all levels, unswervingly, and in a long sustained way. This struggle has been vigorously and extensively launched and met with warm response from people throughout the country.

Tianjin is a port-city with frequent foreign contacts and close economic relations with foreign countries, and the illegal and criminal activities in the economic sphere here are very serious. The following points should deserve our attention: First, the cases of economic crimes have continued to increase. According to statistics, the number of cases of smuggling and the selling of smuggled goods increased by 53 percent; that of corruption and accepting bribes increased by 73 percent; and that of speculation and profiteering increased by 82 percent this year, compared with last year. Second, economic crimes have occurred in many departments. In the foreign trade departments and the units connected with foreign trade, cases of smuggling and selling smuggled goods, and the people involved are even more. Some people in the capital construction units have taken the opportunity of processing for and contracting with foreigners to carry out swindling and blackmailing, besides accepting bribes and other forms of corruption. Cases of people taking advantage of their official positions to misappropriate state and collective property are also very numerous. In the commercial units, cases of speculation and profiteering, illegal purchasing and selling, and misappropriation of public funds by some people are quite frequent. Illegal activities are also common in the collective enterprises and schools run by the communes, production brigades and neighborhoods. Some people in not only the economic departments, but also in the cultural, educational, administrative, public security and judicial departments violate law and commit crimes by reselling gold, silver and cultural relics for profits, taking bribes and distorting the law, while others take unfair advantage of their positions in extorting gifts and bribes. Third, the number of major cases of economic crimes is quite large. Among the cases of

smuggling and selling smuggled goods brought to light in the past 2 years, there were 80 of them in which the culprits made illegal gains of more than 5,000 yuan each. In 1981, 34 percent of the total number of cases of speculation and profiteering involved illegal gains of more than 1,000 yuan each. Most of these major crimes were committed through internal and external collaboration or group activities with support from various quarters. According to the data we have on hand, these cases not only implicated department chiefs, plant directors and managers, but also involved cadres above the bureau level. Some comrades were invincible in the face of the enemy's military might during the revolutionary wars; nor did they submit to the tyranny of the "gang of four" during the 10 years of turmoil. Now they are hit by bourgeois "sugar-coated" bullets. This shows the need for strong action now. The broad masses of cadres and people have said indignantly: "We have sweated a great deal as pioneers. Now, these termites and degenerates are hiding in the dark corners to undermine socialism. Unless these undesirable elements are eliminated, the party's work style will be impaired and socialist construction will be unsuccessful. The consequences are simply unthinkable."

Corrosion from capitalist ideology and bourgeois liberalism are manifested not only in the economic sphere but also in many aspects of social life. In the ideological sphere, there are extreme-individualism and anarchism; in organization, there are factions and cliques; in the cultural field, there are vulgar and obscene publications, pictures and songs; in the society, there are gambling, feudal superstitions, underhand connections and backdoor dealings; and in foreign contacts, there is blind faith in anything that is foreign, along with the loss of personal and national dignity; and so forth. All these are signs of decadence which seriously contaminates the social atmosphere, violates and poisons the youths' mind and soul.

We must understand that far from being the outcome of the socialist system itself, these signs of decadence are utterly incompatible with our socialist system and are positively opposed by our party members and the broad masses. The overwhelming majority of our party members and cadres are good or relatively good; only a small number of them violate the law or commit crimes. The emergence of these signs of decadence has its complex historical and social roots. As we all know, we are now entering a new historical period under conditions of an unhealthy party style, lax discipline and a multitude of ideological, political, organizational and workstyle problems, all created by the "gang of four." The exploiters as a class have ceased to exist, but there is still class struggle, and the influence of the bourgeoisie and the remnant forces of feudalism are continuing to poison us. Furthermore, adoption of the open-door policy has inevitably brought in something unhealthy from capitalism. All these have combined to form a "ring of encirclement" which corrodes and attacks us. Some of our cadres, including a small number of leading cadres, do not have a sober mind and have relaxed their vigilance; others simply let things drift; and still others have been dragged into the mire and are now going along with the bad elements in their misdeeds. Furthermore, our unsound system and failure to take timely precautionary measures have provided good opportunities for the unscrupulous elements and created conditions for various decadent elements to survive and flourish.

To launch our struggle against the illegal and criminal activities in the economic sphere and to continue it until victory is won, our program of action is as follows:

First, we must have a strong determination. We must not let pass any act of smuggling, selling smuggled goods, profiteering, swindling, corruption, bribery, misappropriation of state and collective property and other serious offences. They must be vigorously dealt with. The serious offenders, especially the cadres in important positions committing crimes, must be dealt with according to law. We cannot allow anyone to turn a blind eye to these illegal and criminal acts or to conceal what he already knows. We must not be hesitant and indecisive in dealing with these cases; far less can we tolerate or shield them. We must unswervingly carry this struggle through to the end.

Second, effective immediately, we must regard our crackdown on the illegal and criminal activities in the economic sphere as one of our central tasks, and must strive to produce good results, particularly during the second quarter of the year. All departments and units must strengthen their leadership, form special leading bodies and cooperate with the judicial departments in their inspections and examinations. They should select a number of typical cases and give full publicity to the trials. This will serve as the beginning of more intensive work.

Third, the main targets in this struggle are the criminals who have seriously undermined the economy. Between ordinary and serious cases, we should direct our main effort at the serious cases; between active and historical cases, we should direct our main effort at the active cases; and among the ordinary cadres and the high or medium-level cadres, we should direct our main efforts at the high and medium-level cadres (including their dependents) and the units committing crimes collectively. We must severely and resolutely crack down on the active and serious cases in particular.

Fourth, in carrying out this struggle, as in doing other work, we must rely on the masses and take the mass line. However, we are not going to launch any mass movement or to insist that everyone has to go through a checkup. We should use legal means and adopt the method of building up the cases. In dealing with important cases, the masses familiar with the background of these cases should be mobilized to expose and report the culprits. These cases can also be referred to the masses for discussion, and their opinions should be solicited. We must seek truth from facts and present irrefutable proofs.

Fifth, we must adhere to the policy of leniency to those who confess their crimes and severity to those who refuse to do so. In accordance with the decision of the Standing Committee of the National People's Congress, any one who voluntarily surrenders to the authorities, makes a clean breast of his crimes, and reports and exposes his accomplices before 1 May will be dealt with according to previous law; otherwise, he will be considered as continuing to commit crimes and the punishment will be very heavy. We must strictly observe the limits of party policies and be good at distinguishing crimes from errors, including serious errors. For those who have committed economic mistakes, we



should sternly carry out criticism, education and the other necessary means to help them correct their errors.

While fighting economic crimes, we should also deal powerful blows to various criminal activities, strengthen our security work, and maintain a good social order. We must firmly criticize all forms of corruption in the ideological, organizational and cultural spheres in the society, and further eliminate hooliganism, theft, physical violence, organized gambling, feudal superstition and other "public evils" in the society. We should continue to carry out the spirit of the symposium held by the central authorities last year on the public security of five cities, and exercise the "comprehensive control" in various places.

There should be destruction along with construction in developing socialist culture. We should step up the education in Marxism-Leninism-Mao Zedong Thought among all people in the municipality, particularly the young people. We should also conduct education in the history of the party and the contemporary history of China. Some plants can even give lessons on the history of their own plants. At the same time, we should expose the aggressive and predatory nature of world capitalism, and particularly imperialism and social imperialism, and their wanton oppression and exploitation of the people. A comparison of the new with the old society and of the superiority of the socialist system against the decadence of the capitalist system will enhance the feelings of love of the motherland, love of socialism, love of the CCP, and the love of the enterprises, the collectives and people's own work; and cultivate high ideals and noble communist feelings. It will also help us to firmly resist and oppose the corrosion from the capitalist ideology and bourgeois liberalization. Those good comrades who serve the public honestly and have the courage to combat illegal and criminal activities and various unhealthy tendencies should be highly commended and encouraged. We should consolidate the gains of the "National Socialist Ethics and Courtesy Month," and further intensify the "five stresses and four points of beauty" activities. All enterprises, public agencies, government organs, neighborhoods, and the rural communes and production brigades should quickly solve the problems of environmental sanitation, public order and service quality, and set up village regulations and guidelines, people's pledges, and other rules to be observed by all people. All these measures should be regularized and institutionalized so that everywhere in the municipality will be clean and pleasant, orderly, and full of warmth. We must conscientiously carry out the resolution of the Fourth Session of the Fifth National People's Congress on a Nationwide Campaign for Obligatory Tree Planting by tree-planting and afforestation, so as to cover the urban and rural areas with trees and to beautify the environment for the benefit of future generations.

#### IV. Fully Recognize the Great Significance of Restructuring and Carefully Attend to the Preparatory Work

In the past 5 years, the party accomplished three major tasks: first, smashing the "gang of four"; second, convening the Third Plenary Session of the 11th Party Central Committee, which is a historical milestone marking the beginning of a new era of socialist modernization; and third, adopting the "Resolution on

Certain Questions in the History of Our Party Since the Founding of the People's Republic of China" in the Sixth Plenary Session of the 11th Party Central Committee, which summed up the experiences of the past 32 years, scientifically assessed Comrade Mao Zedong's merits and shortcomings, and affirmed the historical role of Mao Zedong Thought. Now, the central authorities decided that four major tasks--namely, restructuring the system of leadership, simplifying the administration, streamlining the leading bodies, and replacement of the old with the new--should be accomplished. Restructuring the State Council is now proceeding smoothly, and heartening achievements have been made in only 2 or 3 months. This has set a fine example for the whole country. This event is warmly supported by people at all levels throughout the country, and has caused favorable international repercussions.

According to the central authorities' plans, restructuring of local organs will begin next year, and the various preparatory work should be carefully carried out this year.

First, we must fully recognize the necessity and importance of restructuring. Comrade Deng Xiaoping pointed out: In a certain sense, restructuring is a revolution. However, this is a revolution against the structure and not against people. Comrade Xiaoping's theory is entirely correct and very important. In our municipality, there are overstaffed administrations with multi-tiered departments crammed full of superfluous personnel whose duties are not clearly defined and who are engaged in endless haggling and work with very low efficiency. This situation is very serious. Under the municipal government, there are 75 commissions, bureaus and other directly affiliated organs, 50 percent more than in 1966 before the "great cultural revolution," with a total personnel of more than 15,700, more than doubling that in 1966. Furthermore, we have borrowed a large number of people from the lower levels, thus weakening the work force at the frontline. Worse still, we had to set up a provisional organ whenever an important project came up, and these provisional organs, once formed, are rarely abolished. The number of these provisional organs is continuing to increase, with the result that the original functional departments cannot fully exercise their authorities or play their roles. The large numbers of organs, documents and meetings have made it difficult for many comrades to visit the basic levels to find out about their conditions and to solve their problems in time. The overlapping organs with ill-defined duties have also been the cause of wranglings and shift of responsibility. A job which can be done by one organ or one person is now being done by several organs or several persons. In the absence of any responsible person, the job has to bounce back and forth, causing delay and mistakes. If a plant or enterprise wants to take certain measures for tapping potential or carrying out renovation and transformation, more than 20 stamps of approval are required from different departments through more than 30 links. Mishandling at any link would mean a delay of 1 or 2 years. If such structures are not reformed, the problems of bureaucratism and inefficiency cannot be really solved, and the correct principles and policies of the party and the government cannot be fully implemented. Then there will be no hope for our cause. This revolution is an important issue with a close bearing on the long-lasting stability and prosperity of our country. Therefore, we must have a correct understanding of this revolution and take a positive attitude toward it.

Second, we must actively carry out investigations and study, and work out plans for the restructuring. The defects in the existing structure cannot be the result of mistakes made on one day, and its reform will involve many problems. Furthermore, we lack the necessary experience. We must take a cautious attitude, have a firm determination, work meticulously, ascertain the situation and advance steadily. We are now planning to organize a special body to study the history of the changes in the structure, to ascertain its present conditions, to listen to opinions from various quarters, particularly from organs at the lower levels and the basic level units, and to work out a practical plan as soon as possible.

Third, we must actively select a number of young and middle-aged cadres with ability and political integrity for the leading posts. We have already done some work in this respect, and this year, we should continue to emancipate our minds, break the old conventions and work boldly. The successors to be selected should be politically dependable, and we must see if they can resolutely uphold and implement the line, principles and policies adopted since the Third Plenary Session of the 11th Party Central Committee. Provided this qualification is assured, we will choose those who are young, have professional knowledge, and are able to open up new prospects in work. Those who have made their fortune by following Lin Biao, Jiang Qing and their cohorts as "rebels"; those whose way of thinking has been seriously influenced by factionalism; those who were formerly smash-grabbers; and those who have politically and economically committed serious violations of law in recent years must never be--and none of them can ever be--promoted. If these people are already in leading positions, they must be removed from these positions. To select good successors, we must take the mass line, listen to mass opinions by various means, and closely combine the leadership's examination with the masses' recommendations in order to do a good job of the selection. Since the present structure of administration has not yet been streamlined, we can adopt the "in first, out later" method, beginning with the selection of outstanding young and middle-aged cadres. Some of them can leave their posts for full-time training, and others can be placed in leading posts to be tempered, while at the same time shouldering their responsibility, so that they can be brought up as soon as possible.

Fourth, we must give full play to the role of old cadres during the changeover from old to new. Veteran cadres are the treasure of the party and the state. In the long revolutionary struggles of the past, they made immortal contributions to the overthrow of the reactionary regime and the building of New China. They also made tremendous contributions in building a great prosperous socialist motherland after the founding of the People's Republic. Many veteran cadres are still in leading positions at various levels of the government structure. Before the streamlining of the structure, they should feel at ease with their work instead of worrying about being removed or retained. Even after restructuring, some veteran cadres will remain in leading posts. At present, we must pay attention to production and work and complete all tasks. We must not relax our efforts. During the change-over from the old to the new, it is even more necessary that we should give full play to the main and backbone role of the veteran cadres. They must have a keen sense of political responsibility in the selection of good successors, since this is a glorious task

entrusted to them by the party. They should carefully help, guide and pass on their skill to the new cadres so that the fine traditions of our party can be carried forward to future generations. As for those veteran comrades who have already retired or retreated to the second line of action, our government at all levels must take good care of them in accordance with instructions from the Party Central Committee and the State Council, and strive to form the good habit of respect for the aged.

Before the restructuring, we must make great efforts to improve our workstyle and increase our work efficiency. First, beginning with the municipal government, we should clearly specify the responsibilities and authorities for all departments and units at all levels, and set up and perfect the system of job responsibility for all personnel, so that they can work in a realistic instead of formalistic way. We must resolutely correct the evil practice of shifting responsibility to one another, procrastination in work and the lack of sense of responsibility; firmly overcome the bureaucratic workstyle which piles up red tape without solving actual problems; and make a determined effort to simplify the meetings and to eliminate the bureaucratic style of remaining aloof and being separated from realities. Under the existing system, we can adopt some alternative measures, such as working together, to reduce interdepartmental wranglings, and to raise work efficiency. Leading cadres at all levels should revive and carry forward the fine traditions of hard struggle and sharing every weal and woe with the masses as they did during the revolutionary wars and the early post-liberation period. They should mix with the masses, delve into realities, conduct investigations and study, and solve problems through common efforts, so as to gradually improve the work and workstyle of the government organs.

#### V. Unite and Strive for New Victories With One Mind and One Heart This Year

There are several factors for certain achievements in our municipal work last year, but the most important one is the power of unity of all people in the municipality under party leadership. Comrade Mao Zedong pointed out: "The unification of our country, the unity of our people and the unity of our various nationalities--these are the basic guarantees of the sure triumph of our cause." Under the new conditions this year, we will face more complex tasks and bigger difficulties. It is therefore even more necessary for us to cherish our hard-won victories to further strengthen the close unity among the leading cadres at various levels, between the cadres and the people, between the army and the people, between the army and the government, between workers and peasants, and between the mental workers and manual workers in the municipality in order to consolidate and develop the excellent situation in the municipality.

To strengthen our unity, we must coordinate all the activities of the country like pieces in a chess game, and bear in mind the overall situation whenever we encounter any problem. We must give primary consideration to the cause of the party and the people, overcome departmentalism, and decentralism, and develop the communist style of sacrificing partial interests, if necessary. We should willingly undertake the heavy tasks, provide every convenience to the fraternal departments and units and cooperate in unity to accomplish the common tasks.



To strengthen our unity, we must continue to eliminate the pernicious influence of Lin Biao and the "gang of four," uphold the principle of looking forward in unity, heal the breaches in personal relations and eliminate the estrangement among comrades, all caused in the 10 years of turmoil. In promoting the cause of communism, we should have mutual understanding, mutual support and mutual help. Those who have been deeply influenced by Lin Biao and the "gang of four" and those with serious factionalism should be criticized and educated, and thereby helped to correct their mistakes. We must unite with those who have made mistakes and can completely correct them, and bring their positive role into play.

To strengthen our unity, we must be aware that streamlining the government structure and the gradual reorganization and consolidation of the leading bodies may cause a stir in some comrades' minds. We must help them by convincing them of the great significance of the restructuring so that they will understand the relevant policies and have faith in the Party Central Committee's arrangements. We should also carefully handle the relationship between the old and the new cadres, respect the old and cherish the new so that we can all do our work well.

To strengthen our unity, we should continue to take good care of the people's livelihood, while concentrating our efforts on production. The disruption by the "gang of four" and the earthquake have brought about great difficulty in people's livelihood and numerous other social problems. Despite the great efforts of the party and the government in the past several years, there are still many urgent problems awaiting solution, such as the people's housing problem, for which the policy on private houses and other policies have to be implemented, and the problem of the young people's employment. However, since we have not brought about a fundamental turn for the better in our state finance, it will take time to solve all these problems. Furthermore, the threat of a serious water shortage is not yet over. We have drawn water from the Huanghe River, but this can only supply temporary relief. If we fail to keep up our planned use of water and the rainy season for this year is late, we may have to drink sea water, in view of the serious water shortage. We hope all people in the municipality will understand the state's difficulties, willingly share the state's worry, help one another in unity, and display the dauntless spirit of the proletariat in serving the public selflessly, in order to overcome all difficulties and to win victories.

To strive for a high level of material and cultural development is a common undertaking for New Tianjin and its 7.6 million people. People's undertaking must depend on people and the joint efforts of all workers, peasants, intellectuals and patriotic personages in all circles in the municipality.

The working class in Tianjin is a militant contingent with a glorious revolutionary tradition. During the White Terror and war years, they fought bravely, advancing wave after wave regardless of any sacrifice. In the movement of socialist transformation after liberation, they took a firm stand in resisting corrosion and keeping themselves clean, and firmly adhered to the party's policies. Whenever we encountered economic difficulties in socialist construction, they as a rule transformed their worry for the country into strength for

serving the country, and bravely shouldered the burden in actual deeds, fully demonstrating the noble quality of the working class and the spirit of masters of their own destiny. We hope all the workers and staff members in the municipality will continue to carry forward their fine revolutionary tradition and make even greater contributions to socialist material and cultural developments. The veteran workers in particular have a dual responsibility, because, in addition to serving as backbone elements in production, they have also to pass on to the younger generation the noble qualities of the working class and their valuable experiences in production gained in long practice. Young workers are the fresh blood of the working class as well as the mainstay in production and construction. They must clearly recognize their own historical mission, set up high ideals, work hard, and bravely scale the pinnacle in order to become pace-setters in the New Long March.

Peasants are always the reliable allies of the working class, as shown by their deeds during the war and the period of socialist construction. They have for many years made very great contributions in keeping the cities supplied with grain, vegetables and various nonstaple foods. Particularly in times of serious water shortage, they always offered to let the cities use the river water in supporting industrial production and people's daily life, even at the sacrifice of their own interests. The construction and development of cities are inseparable from supports from the countryside; similarly, the development of agriculture and the improvement of the peasants' living conditions are inseparable from the cities. The interests of workers and peasants are basically identical, and there are flesh-and-blood relations between them. We must correctly handle the relations of interests among the state, the collective and the individuals, strengthen the worker-peasant alliance, and make common efforts in accelerating socialist modernization in both urban and rural areas.

The broad masses of intellectuals warmly love the motherland, the party and socialism. Working hand in hand with the workers and peasants, they have played an important role in revolution and construction and are an indispensable important force in our socialist modernization. There are more than 139,000 scientific and technical personnel in our municipality, and they are struggling vigorously on various fronts and serving the four modernizations faithfully. Among those who deserve to be commended are the overseas compatriots and returned intellectuals who have declined generous offers abroad, abandoned their high salaries, and determined to return to the motherland to serve the four modernizations. This demonstrates their noble patriotic feelings for which they deserve the people's welcome and respect. To accelerate the development of science, technology, culture, education, public health work and sports, it is even more necessary that we should bring into play the role of the broad masses of intellectuals. The Party Central Committee has all along stressed the need for intellectuals, without whom our task cannot be accomplished. We must conscientiously implement the party's policy on intellectuals, further wipe out the prejudice of some people toward intellectuals and the "leftist" ideological influence, and be sure that politically, they enjoy the same right as all others; in work, they should be used to good advantage; and in daily life, they should be given good care. The young and middle-aged intellectuals, particularly the middle-aged ones, have become the backbone of the scientific and technological front. While taking good care of the old

intellectuals, we should also do our best to solve some practical problems among the young and middle-aged intellectuals and the scientific and technical personnel with regard to their work, their study and their livelihood, in order that they can concentrate their efforts on their own profession. Those young middle-aged scientific and technical personnel who are strong and healthy, and have the ability for organization and the quality for leadership, should be boldly promoted to leading posts. In future, one of the important criteria for assessing the quality of leadership in a locality or a unit will be whether or not it can truly arouse the enthusiasm of intellectuals and use their talents to full advantage. Departments at all levels, all prefectures and counties should conduct a careful review of their work regarding intellectuals, carefully study and work out improved measures, and strive to show some good results in the near future.

Consolidation and development of the patriotic united front is essential to socialist modernization. Our united front is formed of all socialist laborers and patriots who support socialism, and the unification of the motherland. As shown repeatedly by historical and practical experiences, we can remain invincible only by striving to unite with all forces that can be united with on the foundation of a worker-peasant alliance. The patriotic personages in various circles in our municipality have a wide range of knowledge, extensive social connections, and an ardent desire to serve the country. They warmly love the motherland and socialism, and bear in mind the cause of the party. Last year, many old comrades among the deputies of the municipal people's congress and the members of the municipal committee of the Chinese People's Political Consultative Conference, despite their advanced years and delicate health, took part in a thorough social survey in order to observe the people's conditions and to reflect mass opinions in good time. They raised many criticisms and suggestions and helped the government do a lot of work. We must firmly carry out various united front policies, continue to bring the role of the patriotic personages in various circles into play, treat them with great sincerity, and share every honor or disgrace with them. We should strive to do our work well for the Taiwan compatriots, the families of those who have gone to Taiwan, and those former Kuomintang people who have come over to our side out of a sense of righteousness, and warmly welcome their role in the four modernizations and in accomplishing the unification of the motherland.

The broad masses of commanders and fighters of the PLA units stationed in Tianjin and the Tianjin garrison command have made important contributions in supporting our city construction, preserving social order, combating the drought through water conservation, drawing water from the Luanhe River, improving the city's appearance, planting trees in afforestation, and striving for cultural development by learning from Lei Feng [7191 0023] to create a new social atmosphere. We must intensify our activities in supporting the army and giving preferential treatment to army dependents and in supporting the modernization of the army. We should further strengthen our militia building and encourage the militiamen to join in the defense of the four modernizations.

Fellow Deputies:

Our future is bright, our task is very arduous, and our responsibility is heavy. Under the party's leadership, let us all unite as one, rally our spirit to make our country strong, work hard, and strive for new victories this year!

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## ECONOMIC MANAGEMENT

### BRIEFS

**ECONOMIC CRIMINALS SURRENDER**--After the Standing Committee of the NPC announced the "Resolution on Severely Punishing Criminals Who Cause Serious Damage to the Economy," the struggle to crack down on criminal activities in the economic sphere is unfolding. According to incomplete statistics, up to 5 April, 325 of those who gave themselves up had surrendered relatively large sums of illegally acquired money and had returned a large amount of ill-gotten wealth. After they heard the "Resolution," some of the criminals in custody resolved to repent and made additional confession of their crimes to gain lenient treatment. For instance, after listening to the propaganda on the crackdown on economic criminals, a certain Tang who was in custody in Hongkou Ward honestly surrendered an ill-gotten amount of over 10,000 yuan that had been hidden for a long time. Again, after reading the "Resolution" and with the advice and in the company of relatives, an accountant of a unit of a certain corporation in Jing'an Ward confessed the facts in the crime of corruption involving 19,000 yuan and handed over 8,000 yuan of ill-gotten wealth. If proven to be true after investigation, those who have given themselves up and made honest confession of their crimes will be individually given lenient treatment in accordance to the related articles of the "Resolution." Some have already been exempted from prosecution by inspection organs. [Excerpt] [Shanghai JIEFANG RIBAO in Chinese 4 Apr 82 p 1] 9586

**GUANGZHOU ECONOMIC CRIME**--On the morning of 12 June, the political and legal group of the Guangzhou Municipal People's Congress Standing Committee held a meeting to listen to the reports made by the municipal intermediate court, the municipal people's procuratorate and the office of the municipal leadership group to strike blows at smuggling and peddling smuggled goods, on resolutely striking blows at serious criminal activities in the economic field. In their reports, municipal judicial departments pointed out that, since the implementation of the CCP Central Committee's urgent circular, the number of economic cases in the municipality has greatly increased. The number of economic cases filed in the municipality from January to May this year was 70.4 percent more than in the corresponding period last year and the number of economic cases established was 240 percent more than in the same period last year. In the municipality, 806 persons confessed economic crimes. Of them, 20 persons committed economic crimes which involved more than 10,000 yuan, 36 persons committed economic crimes which involved over 5,000 yuan and 200 persons committed economic crimes which involved more than 1,000 yuan. The amount of ill-gotten gains was some 1.19 million yuan, some 819,000 yuan of which has been recovered by the state. A large number of TV sets, radio/cassette players and watches have been confiscated. [Guangzhou Guangdong Provincial Service in Mandarin 2350 GMT 14 Jun 82 HK]

CSO: 4006/497

## FINANCE AND BANKING

### ATTENTION GIVEN TO STOPPING CRIMES IN BANKS, CREDIT DEPARTMENTS

Guangzhou NANFANG RIBAO in Chinese 1 Apr 82 p 1

[Report by Dong Pingbo [5516 1627 3134] and Su Zhongheng [5685 0112 5899]:  
"The Loopholes of Banks and Credit Departments Must Be Stopped Up"]

[Text] In the recent cracking of cases involving smuggling and resale of smuggled goods, speculation and profiteering in our province, a problem has aroused the attention of people. The problem is: the huge amounts of funds used by quite a few criminal elements in smuggling and the resale of smuggled goods and in speculation and profiteering are in fact supplied by some banks and credit departments through various channels. Some local banks, business offices and credit departments have virtually become the personal treasuries of smugglers and sellers of smuggled goods.

Why does this situation arise? This is because a minority of bank and credit department staff workers have been corroded and lured by smugglers and sellers of smuggled goods, speculators and profiteers, made accomplices to go along with evil deeds, collaborate inside and outside, and use various means to steal state funds. After they reaped huge profits they divided up the loot and made ill-gotten wealth. According to political and legal departments, such cases have recently been cracked in some counties and municipalities including Shantou, Huiyang, Zhanjiang, Foshan and Guangzhou. For example, in many of the cases involving resale of smuggled goods, speculation and profiteering cracked by the inspection organs of Chaoyang County last October, the business office of the Hongchang Bank of that county has been shown to be a thoroughly rotten business office. Through releasing cash, approving loans and lending accounts to speculators and profiteers, this business office has successively received a large amount of bribes in cash, sugar, oil, fuel, clothing, watches and radio-tape recorders. One accountant and two cashiers of this office who engaged in corruption received a total of over 26,000 yuan in bribes.

The minority of staff workers of banks and credit departments who have been dragged into the mire and who have colluded with criminal elements are full of tricks. Some of them took advantage of their authority to examine and approve loans, transferred money, violated credit regulations and freely gave loans to speculators and profiteers. Some even instigated their relatives to concoct various pretexts, made loans to themselves and then allowed relatives



to resell smuggled goods and reap profits. Some provided bank accounts for smugglers and sellers of smuggled goods, speculators and profiteers, thereby obtaining "handling fees." Some even stole from what was entrusted to their care and took large amounts of cash. For example, Li Jingfang [2621 4552 5364] of the business office of Pianshui Commune of the Wuchuan County Bank has become the seldom seen master corruption criminal in the country, and Luo Zhiyong [5012 1807 0516] of the Duozechu business office of the Huidong County Bank has become the "mouse of the golden treasury" who stole 95,000 yuan in cash. All these have seriously violated the state's financial administrative law and credit policy, damaged the socialist economic order, and created great danger to the readjustment of the national economy and construction of the four modernizations in our province. The wallets of the minority of staff workers who have been dragged into the mire have been stuffed by ill-gotten wealth. For example, the business office of the Lugang Commune in Zhaoyang County colluded with former commune leader Zhou Qinzeng [0719 0530 1073] and others who had already been arrested and brought to justice, provided accounts to units which did not have approval to receive accounts to handle receipt and sending of money, thereby obtaining handling and administrative fees and dividing up the loot. From 1979 to the first half of last year, that office had made the large amount of 750,000 yuan in "handling fees" and "administrative fees." In the short span of half a year, deputy director Gao Hongguang [7559 1347 0342] of the Renshan office of the Huidong County Bank had personally released almost 1,000,000 yuan in loans to speculators and profiteers, of which 500,000 yuan have not been retrieved. From it he received "handling fees" and bribes which they collectively divided among themselves. Gao Hongguang himself obtained a share of more than 2,000 yuan as well as a color television, tape recorder, and other items. Even worse, after the exposure of circumstances in a case, certain bank and credit department staff workers who were dragged into the mire adopted a variety of means to falsify documents, cover up criminal evidence and vainly attempted to escape investigation by the political and legal departments.

To safeguard the smooth construction of the four modernizations in our province, to even better launch the struggle to crack down on criminal activities in the economic sphere and not to give opportunities to criminal elements, people are justified in demanding that banks and credit departments earnestly learn the lessons, adopt effective measures to thoroughly stop up the loopholes and join political and legal departments in resolving to crack down on criminal elements in the economic sphere.

9586

CSO: 4006/424

## FINANCE AND BANKING

### BRIEFS

HUBEI BANK PRESIDENTS' MEETING--The Hubei provincial meeting of the presidents of all agricultural banks throughout the province concluded today. The meeting demanded that rural financial departments strive to raise the economic returns of credit funds and support the all-round development of agricultural production. Agricultural banks and credit cooperatives at all levels throughout the province must turn idle capital and consumer capital into state production and construction capital, make good use of credit funds, step up grain production, develop diversification, help rural areas promote production, supply and marketing, strike blows at serious criminal activities in the economic field and establish the management system and put it on a sound basis. [Wuhan Hubei Provincial Service in Mandarin 1100 GMT 13 Jun 82 HK]

SHAANXI NATIONAL BOND SUBSCRIPTIONS--According to statistics, by the end of May, individuals, enterprises and units in urban and rural areas in Shaanxi Province had subscribed to national bonds worth 77.85 million yuan, and the province had overfulfilled the quota for subscribing to national bonds which was assigned by the state to this province. [HK161409 Xian Shaanxi Provincial Service in Mandarin 0500 GMT 12 Jun 82 HK]

CSO: 4006/497

## MINERAL RESOURCES

### BRIEFS

JILIN RARE ORE--The quality of wollastonite produced in the Lishu Wollastonite Mining Company has proved good. Wollastonite is a rare ore in our country. According to an initial report, Lishu County has more than 50 million tons of Wollastonite deposits. A dozen foreign buyers from Japan and Australia and many domestic enterprises have requested supplies of wollastonite. Geological prospecting work continues. [Changchun Jilin Provincial Service in Mandarin 1100 GMT 4 Jun 82 SK]

HAINAN IRON PRODUCTION--From January to May this year, the Hainan Iron Mine fulfilled some 50 percent of its quota for the production of iron ore and fulfilled 52.8 percent of the quota for the total industrial output value for 1982. Its total industrial output value in this period was 29.47 percent more than in the corresponding period of last year. Its profits in this period were 64.35 percent more than in the same period of last year. The cost for the production of each tone of iron ore was 3.55 yuan less than the planned cost and the amount of electricity consumed for the extraction of every 10,000 tons of ore was 9.26 percent less than in the corresponding period of last year. The mine thus saved some 3 million kilowatt-hours of electricity. [Haikou Hainan Island Service in Mandarin 0330 GMT 23 Jun 82 HK]

HEILONGJIANG MINERAL RESOURCES--In Heilongjiang there are 53 kinds of proven mineral deposits spread over 385 localities. Reserves of petroleum, gold and graphite in the province rank among the largest in the country. Hydro-geological conditions on the Songnen and Sanjiang plains and in Harbin Municipality have also been researched. [SK201050 Harbin Heilongjiang Provincial Service in Mandarin 1100 GMT 19 Jun 82 SK]

CSO: 4006/497

## INDUSTRY

### DEVELOP AUTOMOBILE INDUSTRY THROUGH SELF-RELIANCE

Beijing RENMIN RIBAO in Chinese 12 Feb 82 p 2

[Staff Report: "Starting With Reality, Develop Our Nation's Automobile Industry Through Self-Reliance; the No 2 Automobile Manufacturing Plant Provides a Model for the Technical Reconstruction of Old Plants and the Construction of New Plants"]

[Text] Editor's Note: The No 2 Automobile Manufacturing Plant is our nation's backbone enterprise; it was constructed by starting with reality, aiming at the world's advanced standards, and relying on our own forces. It is a good example to follow for China's path of modernization, and it establishes a model for the technical reconstruction of old plants and the construction of new plants. The concrete experiences of this plant, as reported here, are well worth reading.

The No 2 Automobile Manufacturing Plant (abbreviated below as the No 2 Plant) is a large backbone enterprise constructed at the end of the 1960's. Because it started with reality and followed the new road of China's automobile industry development, notable results have been achieved within a relatively short period of time. The experiences of this plant have received the attention of leading comrades on the State Council. They believe that these experiences can be used as a model in carrying out the technical reconstruction of old plants or the construction of new plants.

Looking at the roads traveled by the No 2 Plant, they have provided the following basic experiences:

1. Starting with reality, starting with trends in foreign automobile industry development, aim at the world's advanced standards, carry out product design and manufacture, and make use of advanced scientific and technological results.

When the construction of the No 2 Plant began, the No 1 Automobile Manufacturing Plant had already developed to maturity, and the design and manufacturing capabilities of our country's machinery industry already had an impressive foundation. At that time, in order to construct another automobile plant,

should they copy, move, and import complete sets of equipment, or should they stand on their own feet? This was an important question. They made it clear that not only should they design the products themselves, but that the equipment should also be produced domestically, bravely adopting technology and experiences already matured domestically. However, it was decided that those key items of equipment that could not be manufactured domestically at the time should be selectively imported in order to guarantee quality and gain time. Experiences have shown that the products they designed, after hundreds of improvements, have been able to stand the test of different rough conditions. The various economic and technical indicators of the automobile are now making big steps toward advanced international standards.

2. Travel the road of the masses, trust and rely on the forces of the machinery industry throughout the country, and organize great national cooperation.

During the design and plant construction process, they adopted three basic methods:

First a management system of specialized production was established. In plant distribution, automobile assembly and technology were adopted as targets, and the entire plant was divided into four large sectors and over 20 specialized plants. The branch plants within the sectors are closely connected in order to assure large-scale, continuous production.

Second, the entire country was organized for "contract construction" and the "gathering of treasures." They used the slogan of "old plant contracting for new plant, small plant contracting for large plant, and several plants contracting for one plant." The "four contracting" [system] was carried out by the contract construction unit--namely, contracting for design, contracting for production preparation, contracting for personnel training, and contracting for production debugging: i.e., contracting to the end. Altogether, more than 30 plants were organized to separately carry out contracting construction of various specialized plants of the No 2 Plant. At the same time, the method of "gathering treasures" was adopted. Advanced results already in existence or advanced technologies which were under study but which showed promise were gathered and transplanted to the No 2 Plant after testing. More than 600 machine tool plants in the country manufactured over 20,000 pieces of equipment for the No 2 Plant. Among them were 117 automation lines and over 5,000 high-efficiency, special automated machines. These were new products trial-manufactured in our country for the first time. The "contract construction" and "gathering treasures" methods accelerated No 2 Plant construction and also provided impetus to the machinery industry.

The third [method] was to rely on the plant's own forces. All positive factors were mobilized, and many forms of three unifications were practiced.

3. Persist in a policy of self-reliance and, on the basis of self-reliance, learn good foreign experience and import key technology.



The No 2 Plant has installed over 20,000 pieces of equipment, 98 percent of which were designed and manufactured in our own country. The quality of the predominant portion is good and the standards of their composite technology are high. To gain time and guarantee quality, they also imported some heavy, precision, and key equipment, whenever domestic makes were not yet able to meet the test. Whenever it was possible to import an individual piece of equipment, complete sets were not imported. Whenever it was possible to go abroad to study and solve the problem, that was done and the problem was taken care of domestically.

#### 4. Establish a tested, bilevel leadership group, and train a reserve force.

In 1972, Premier Chou called for the improvement of product quality. The leading comrades in the central government, the provincial party committee, and the First Ministry of Machine Building separately called discussion meetings on quality improvement for the No 2 Plant. Later, the system that had originally been established was reorganized. A bilevel party committee was established, various levels of leadership groups were readjusted, a chief engineer system was established, and a policy on cadres and intellectuals was implemented. In the past few years, they have also actively organized youths for cultural and technical learning. Superior middle-aged and young cadres have been discovered and trained to join the various levels of leadership groups. As a result, normal construction has been assured and a foundation has also been established for the training of an army of staff and workers with strong fighting strength.

After the crushing of the Jiang Qing antirevolutionary clique, the No 2 Plant has paid great attention to ideological reorganization and has particularly carried out in a conscientious manner the direction, principles, and policies of the Third Plenary Session [of the 11th Party Central Committee]. It has engaged in enterprise reorganization, adopted new products and new technologies, improved the level of management and administration, and pushed forward the work in various areas. Their concrete methods have been to:

Tighten up on management, build a proper foundation, and improve work, centering improving quality.

The first step has been to strengthen the direction and management system of the enterprise, clearly define the division of labor, and implement recovery reorganization, centering on the objective of enterprise production and construction.

The second step has been to strengthen the "four ji" work. [Translator's note: the word "ji" (in Chinese) means base or foundation and the four areas of work strengthened all include the word "ji" either as basic or foundation. Thus, "four Ji" is meaningful in Chinese but cannot be translated and still be meaningful.] This has meant tightening the control on basic level work, foundation work, the training of basic skills, and basic order of production. The nucleus for this has been the strengthening of development of teams and groups.

The third step has been to strengthen civilized production. The management of tools at job locations has been strengthened. Cleanliness of workshops has been maintained. The workers have been trained to make sure that key products do not have burrs, and are not banged around, soiled, rusted, or dropped on the ground. This work has resulted in an improvement of production appearance and an improvement in product quality. Changes have also occurred in the enthusiasm of the staff and workers.

The fourth step has been to implement overall quality management work. They have carried out quality management of working procedures for products, quality management of engineering, and work quality management. Currently, quality management is being implemented on a total basis, for the entire process, and for total social and economic benefits.

The fifth step has been to tighten up on product improvement work. The currently produced 5-ton truck has been improved in more than 300 places, and its quality has continuously been improved. The 5-ton truck of the No 2 Plant originally was already the lowest gas-consumption car in the country. After improvements in 1981, consumption has been further improved by about 10 percent.

Tighten up on product development, properly establish technical reserves [the planning and development of new products], and strive to reach the world's advanced standards.

Currently, the No 2 Plant has the two basic models of the 2-1/2-ton cross-country vehicle and the 5-ton truck, and it has also produced in large quantities four modified models. During the 1981-85 period, there are plans to further develop four types of engines and four kinds of trucks, and also actively to promote the development of various modified models, refitted models, and special types of specialized vehicles. Product is the key. Only through long-range products planning will technical development be promoted and will there be technical reserves. If we do not have a few decent product reserves, we cannot escape the old road of "30 years of consistency" of domestic mechanical products, and victory cannot be achieved in competition. For these reasons, an important policy has been adopted: that of accelerating the building of technical centers and educational centers and of gradually creating a strong and effective research and development force to serve continuous product development and continuous technological innovation.

Develop foreign trade, strengthen exports, and develop the introduction [of ideas and technology from abroad], so as to create conditions for improving the level of enterprise modernization.

At present, aiming at the needs of the domestic market and the competition of the international market, they not only are devoting their energy to the domestic market but also are determined to enter into the international market. They are vigorously developing product export, using the method of "pushing the domestic with the foreign and using exports to cultivate advances" in order to promote and start the groundwork for the enterprise to reach the level of international technical development.

Develop our own funds, actively struggle for domestic and foreign support, and establish the production capability for 100,000 vehicles as early as possible.

The No 2 Plant produced more than 39,000 automobiles in 1981. Based on the capability of 100,000 vehicles a year after completion of construction, the task is still very complicated and heavy, and still requires considerable time and funds. Effective measures must be adopted. In early 1980, they considered the temporary difficulty of state finances and announced the policy of "self-development of funds, gaging income for outlays, and construction by stages" in order to come up with 330 million yuan in funds by themselves within 6 years and to carry out continued near-term construction. In this manner, not only do they not increase the burden on state finances, but they can maintain a definite rate of development for enterprise and gradually improve the cultural and material livelihood of the staff and workers on the basis of production development.

Properly carry out enterprise reorganization, and improve economic benefits.

[Their goals are to] properly carry out enterprise reorganization, stimulate revolutionary spirit, learn all domestic and foreign advanced experiences, including that of Daqing, and continue to increase the fighting strength of the leadership groups and the army of the staff and workers.

In the administration of the enterprise, they believe that the old way of paying attention only to production and not to management must be changed by taking a firm hold of overall quality management and establishing a responsibility system based on high standards and strict requirements so as to carry out the unification of responsibility, authority, benefit, and result. The three considerations of state, enterprise, and individual benefits are being practiced, with the benefit to the state as the primary consideration. Political work is being strengthened, and the three unifications of political work, enterprise management, and material benefits are being practiced.

The nucleus for strengthening overall quality management and thoroughly implementing the responsibility system is the proper establishment of the plant manager responsibility system and the system of conference of representatives of staff and workers. Plans are being made to establish a network of responsibility systems of the various plant systems from top to bottom, to be led by the plant manager, assistant plant manager, and various chief engineers.

The large staff and workers and the cadres of the No 2 Plant express the view that the entire country has supported the construction of the No 2 Plant for over 10 years, and that it is now the time for them to demonstrate their influence. They are determined to be modest and prudent, to be cautious and conscientious, and to engage in bitter struggle, so that the required contributions will be made for our country's automobile industry to remove its hat of backwardness and for the four modernizations to be realized.

5974

CSO: 4013/29

## INDUSTRY

### NO 2 AUTOMOTIVE PLANT EXPANDS PRODUCTION

OW280856 Beijing XINHUA in English 0722 GMT 28 May 82

[Text] Wuhan, 28 May (XINHUA)--China's No 2 motor vehicle plant, the first big automotive factory designed and built by Chinese engineers and workers, is producing 50,000 trucks this year in addition to thousands of chassis.

The chassis, fitted out with driving cabins and engines, go to smaller motor vehicle plants for the production of buses, water spraying cars, refrigerating vans, dump trucks and trucks for the bulk loading and unloading of cement.

Located in Shiyan City, Hubei Province, the No 2 motor vehicle plant is the key factory of the Dongfeng Associated Motor Vehicle Company formed last year through the cooperation of nine plants in eight provinces in southern China.

"The cooperation aims at increasing variety and avoiding waste," said a spokesman for the company.

Formerly, each of the eight smaller plants now in the Dongfeng company tried to produce motor vehicles independently, thus causing waste and duplication in production.

Unlike the No 1 motor vehicle plant in Changchun, northeast China, which was built in the 1950's with imported technology, the No 2 motor vehicle plant has 98 percent of its 20,000 pieces of equipment made in China. Of the 500 production lines, 100 are automated, including those for the major processes of casting, forging, stamping and machining.

The plant employs 40,000 people, 3,300 of whom are engineers and technicians.

The plant went into operation in 1975 when it began producing 2.5-ton cross-country trucks. It built its first 5-ton truck in July 1978. Two more varieties were added between 1979 and 1981. Compared with trucks produced elsewhere in the country, the plant's "Dongfeng" brand consumers less oil and is lighter and easier to maneuver.

Earlier this year, the plant for the first time exported 130 trucks to the Sudan, entering the world automotive market.

With the expansion of the No 2 motor vehicle plant, Shiyan, where it is located, has grown from a town of mud houses into a full-fledged city with an urban population of 160,000.

China's No 1 motor vehicle plant in Changchun is also engaged in cooperation with factories in Liaoning and Jilin provinces in northeast China as part of the nationwide effort to restructure China's automotive industry.

CSO: 4010/8



## INDUSTRY

### IMPORTANCE OF DEVELOPING LIAONING'S HEAVY INDUSTRY STRESSED

Shenyang LIAONING DAXUE XUEBAO [JOURNAL OF LIAONING UNIVERSITY--Philosophy and Social Sciences Edition] in Chinese No 2, 1982 pp 29-32

[Article by Li Fengming [2621 7685 7686]: "Development of Liaoning's Heavy Industry During Period of Readjustment"]

[Text] Should Liaoning's heavy industry be developed during the period of national economic readjustment and how--such is a vital problem posed by the growth of national economy in the course of readjustment, as well as a major problem that the Party Central Committee and the people of the whole country earnestly expect Liaoning to solve as quickly as possible. Since readjustment of the national economy, some people have formed a muddled idea that the development of heavy industry has brought on untold sufferings among the people over the past 30 years and more, while development of light industry has brought about endless benefits for the people and, from this, they have drawn the conclusion that development of light industry is of the utmost importance to the national economy and people's livelihood, and that development of heavy industry is of no importance. Some people have even suggested that during the period of national economic readjustment the task of heavy industry should consist in getting down and drawing back. This understanding is obviously negative and one-sided.

To be sure, it should be admitted that development of light industry is of great immediate significance to the issue of making urban and rural markets prosper and improving the people's livelihood. In order to satisfy the needs for consumer goods on the urban and rural markets, it is of great importance to develop light industry rapidly during period of readjustment, particularly for a province like Liaoning where the leg of heavy industry was always long and that of light industry always short in the past. From now on we should continue to develop light industry vigorously. But this does not mean that the smaller the proportion of heavy industry the better, and that what should be developed is not to be developed. While vigorously developing light industry we must not lose sight of the important part played by the development of heavy industry in promoting and expediting both the growth of light industry and the growth of national economy as a whole. As the "equipment department" of various branches of the national economy, heavy industry should provide various industries with the necessary machinery and equipment and advanced technical equipment. Without this precondition, industries cannot develop, and

even if they develop for a time, cannot maintain the rate of development. The part played by light industry in promoting development of heavy industry is often apparent to some people, while the dependence of light industry on heavy industry for its growth is not so apparent to them. In fact, the significant growth of Liaoning's light industry today is precisely attributable to the predominance of its heavy industry, which had provided light industry with the necessary material and technical foundations in the past.

It should be realized that development of Liaoning's heavy industry is of great importance to Liaoning and even the whole country. Liaoning is one of China's industrial bases, and its heavy industry makes up a great proportion, with total output value accounting for approximately two-thirds of total industrial value. Despite the great growth of light industry and textile industry (the ratio of light and heavy industries was 37.1 to 62.9 in the third quarter of 1981), heavy industry still occupies an important position in the national economy. The growth rate of Liaoning's heavy industry has an extremely great bearing on the economic development in the province and the whole country. This is because: 1) Liaoning's heavy industry being in a great proportion, to offset 1 percent decline in heavy industrial output value, light industry must grow 2 percent. In the first half of last year, the value of Liaoning's light industrial output increased 13 percent over the same period of the previous year; but as the value of heavy industrial output declined 8.7 percent during the same period, the total value of Liaoning's industrial output dropped 2 percent. According to the forecast of the department concerned, if the range of growth of Liaoning's heavy industry reached 1 or 2 percent, then the growth of Liaoning's industry as a whole could reach 5 percent or higher. 2) Liaoning has more large key enterprises in heavy industry which form our nation's economic lifeline. According to 1980 statistics, of the total financial revenues of the province, industrial profit taxes accounted for 97 percent, while heavy industry accounted for 88 percent of the industrial profits delivered to the state; among them, the four major steel mills and six major oil refineries accounted for 62 percent of the total profits delivered by all state-operated industrial enterprises in the province. When heavy industrial production declines and profits decrease, other enterprises will find it difficult to make up the decline. 3) Many products of Liaoning's heavy industry are geared to national requirements, assuming the important task of aiding nationwide economic construction. For example, net transfers of industrial products to other provinces in 1980 accounted for about one-fourth of pig iron, slightly more than half of rolled steel, aluminum, and lead, two-thirds of zinc and machine tools, and nearly nine-tenths of transformers. But, aids are mutual. If Liaoning's heavy industrial products declined, the province would find it difficult to transfer goods to other provinces, while other provinces would find it difficult to transfer goods to Liaoning. This being so, in order to bring about harmonious growth of the national economy, what should draw back in heavy industry must draw back, while what should go up must go up, so that a given development rate of Liaoning's heavy industry can be ensured.

True, over the past 30 years and more we suffered a lot in economic construction, but our sufferings were by no means attributable to the development of heavy industry but to errors in economic construction and to unrealistic and lopsided development of heavy industry, resulting in crowding out agriculture and light

industry. From now on, whether we will suffer over the development of heavy industry will depend on the guiding thought we follow and the direction we take. If the guiding thought is correct and the orientation is correct, heavy industry will develop in a planned, proportionate and coordinated way and we shall not suffer again. Otherwise, we shall traverse again the old road of onesided and lopsided development of heavy industry, and we shall inevitably suffer again.

In order to gain a steady advance and a healthy growth of the national economy, our party has fully rectified the leftist errors since the Third Plenary Session of the 11th Party Central Committee, really proceeded from the realities of our country and gradually embarked upon a new road leading to practical rate of growth, good economic effects and more material benefits for the people. In accordance with this principle, heavy industry departments of our province in the years following the Third Plenary Session, particularly since the further readjustment of the national economy, have taken the following approach and measures on the basis of summing up historical experience and in light of realities, which will give an impetus to the development of heavy industry.

I. Heavy industry should adjust its direction of service, expand the sphere of its service, and gain development in four types of service (namely, serving the development of agricultural and consumer goods production, serving the technical transformation of the national economy, serving the development of foreign trade and expansion of exports, and serving the modernization of national defense). Such is the fundamental outlet for heavy industry. According to the Marxist theory of interrelation between the two departments, products created in department I should, in addition to compensating for their own consumption, meet the needs of department II. Here, a question of serving self and serving department II is involved as far as department I is concerned; there exists a relationship between serving itself and serving department II. Over the past 30 years and more since the founding of the republic, it is precisely this relationship that we failed to handle properly. In order to ensure preferential growth of heavy industry and in order to ensure "a big leap forward" and "high speed," particularly in the late fifties, the proportion of "serving itself" was made too great, while that of serving the production branches of department II such as agriculture and light industry was made too small, with the result that heavy industry became increasingly heavy and light industry increasingly light, with heavy industry going all out to crowd out light industry and light and heavy industries were thrown severely out of balance. It was not until readjustment of the national economy and a great cutback in heavy industrial production after the Third Plenary Session of the 11th Party Central Committee that this severe imbalance has been markedly redressed. Historical facts make one realize that if social reproduction is to proceed smoothly and if the national economy, including heavy industry, is to gain a healthy growth, it is imperative to draw on the historical experience of our country in economic construction and seriously reverse the state in which the "serving itself" proportion in heavy industry is too great, and to bring the development of heavy industry to the track of serving the production branches of department II, such as agriculture and light industry.

Judging by the development of engineering and metallurgical industries in our province in recent years, particularly last year, development of heavy industry should primarily serve production of consumer goods for agriculture and light and textile industries. This sphere of service is a very broad one. In this sphere of service, many branches of heavy industry can accomplish a great deal. Engineering industry may provide agriculture and light and textile industries with advanced technical equipment; metallurgical, petrochemical, coal, and construction materials industries may provide agriculture and light and textile industries with raw and processed materials, fuel, and power; those heavy industry enterprises that are in a position to do so may produce some consumer goods that are in short supply on the market. For example, last year, in order to meet the needs of light and textile industries our engineering industry provided special equipment such as sewing machines, as well as a lot of machinery and technical equipment for processing foods and making cigarettes, shoes, clocks and watches, totaling 450 million yuan. In addition, to meet the needs arising from the introduction of the agricultural production responsibility system and growth of diversified economy, our engineering industry increased production of medium and small farm machinery and tools such as small pumps, small motors, small water mills, hay cutters, pulverizers, oil presses, shellers, rubber-wheel carts, and mulching film tools. In performing this type of service the engineering industry has adjusted the product structure, followed a clear direction of production and gained rapid development. For further example, some large steel enterprises in our metallurgical industry increased production of strip steel and thin plates that were in short supply last year; local steel-rolling enterprises adjusted the direction of production and product structure in light of the development of light and textile industries, thereby providing nearly 100,000 tons of strip steel and thin plates and producing light industrial consumer goods that were in short supply. Further, our munitions industry developed nearly 400-million-yuan worth of bicycles, washing machines and ceiling fans for civilian use, while fulfilling its tasks of munitions production.

The above-mentioned instances of engineering, metallurgical and munitions enterprises serving the production in agriculture and light and textile industries and the production of consumer goods illustrate that the development of agriculture, light and textile industries and consumer goods production has opened a broad market for heavy industry and solved the major problem arising from readjustment of the national economy, that is, lack of production tasks among many branches of industries whose products are in "excessive supply." Provided heavy industry sets a correct direction of service, adjusts product structure and the direction of production and switches to the track of serving agriculture and light and textile industries, heavy industry will certainly gain a rapid and healthy growth.

Secondly, heavy industry (mainly engineering industry) should serve technical transformation of various branches of the national economy, particularly technical transformation centered on conservation of energy, and should vigorously develop energy-efficient and high-efficiency mechanical equipment. Since readjustment of the national economy, light industry, textile industry and construction materials industry have encountered a problem of equipment renewal and technical transformation. This sets the engineering industry an important task of serving the technical transformation of light, textile and construction

materials industries. Over the years, Liaoning's engineering industry has provided, in this direction, light, textile and construction materials industries with a large amount of special equipment and advanced technical equipment. Year before last, Shenyang and Dalian municipalities organized scores of heavy industry enterprises to form "pairs" and launch "heavy industry helps light industry" activities, helped light industry and textile industry enterprises create 559 sets of molds, provided them with nearly 140 units of special equipment, and helped light and textile enterprises train technical force and solve the key problem of production technique and energy conservation. As a result, not only have the old products of light and textile enterprises kept upgrading and regenerating, and production of new products kept enlarging, but also scores of heavy industry enterprises have been enabled to find production knack. Heavy industry enterprises in Benxi designed, made, installed and trial-ran 130 units (sets) of technical facilities or equipment for light and textile enterprises last year.

Judging by the present state of industry and communications enterprises in our province, serious problems of outmoded equipment, backward technology, low technical level, high energy consumption and poor economic effects are widespread not only in light and textile industries but also in other industries. For this reason, enterprises are bound to proceed with equipment renewal and technical transformation. This determines that the low rate of equipment utilization is only a temporary phenomenon in engineering industry. Engineering industry has bright prospects and can accomplish a great deal.

Further, heavy industry should serve the development of foreign trade and the expansion of exports. In this sphere of service many branches of heavy industry in our province have bright prospects. For example, foam titanium has fetched a very high price and made a good profit on the international market in recent years, and export of 1 ton of first-grade sponge titanium can make a net profit of 70,000-80,000 yuan. Our metallurgical enterprises' annual production of first-grade sponge titanium is already impressive, and if all our products are exported we can make a net profit of nearly 100 million yuan, a year. For further example, our province's electromechanical products have a good market in Southeast region. Exports of electromechanical products totaled 120 million yuan last year. On the basis of raising product quality, strengthening international market survey and marketing, total volume of exports is expected to show a great increase this year. Further, Liaoning's chemical products also have a good sale on the international market. Total exports of some 120 kinds of chemical products amounted to 160 million yuan last year; total exports are expected to show a great increase this year.

11. Heavy industry should seek development in the course of exploiting potential of existing enterprises and carrying out innovation and transformation. Further, to seek development and assume the formidable task of serving technical transformation of the national economy, heavy industry must also strengthen its own equipment renewal and technical transformation. The present state of Liaoning's heavy industry is such that a considerable part of enterprises were built in the late forties and early fifties, and some of them were old ones built in the period of the bogus Manzhouguo regime, and their equipment is generally obsolete and technology is backward. If they do not pay close atten-



tion to renewal and transformation, it would be very difficult for them to assume the heavy burden of "equipment renewal" and perhaps before long they themselves will cease to function. For this reason, using advanced technical equipment to renew and transform their old equipment and old technology is an important problem calling for urgent solution. Moreover, this kind of renewal and transformation should not consist in tinkering on an existing basis as the past, but should systematically take place with modern advanced level as the target.

To renew and transform old technical equipment will inevitably involve the problem of financial and material resources. How to resolve this problem? By depending on the state or by relying on one's own efforts? As things stand at present, the state really experiences great difficulties in obtaining financial and material resources. State budgets will not provide too great an increase in capital investments for a time following readjustment, let alone during the period of economic readjustment. When renewing and transforming itself heavy industry should mainly traverse the path of intensive enlargement of reproduction. In other words, heavy industry should rely on its own efforts, base itself on existing enterprises and enlarge reproduction by exploiting internal potential. How to exploit potential? Mainly by raising more funds and broadening the financial and material resources; in the use of financial and material resources, heavy industry should adhere to the principle of producing first and undertaking capital construction next, "intensive" first and "extensive" next, cutting back production of "goods in excessive supply" and making up production of goods "in short supply." Anshan Steel's practice in recent years has provided valuable experience in exploiting potential. In year before last, Anshan Steel, exploiting potential, made enterprises' profit growth rate greatly exceeded the growth rate of output value. Last year the state greatly cut down energy supply to Anshan Steel. But thanks to measures for conserving energy, ensuring production, and exploiting potential, Anshan Steel not only overfulfilled its production plan last year but also succeeded, despite production plan last year but also succeeded, despite production cutback, in increasing its revenues and continued to maintain the range of its profit growth. They mainly adopted two measures: 1) Exerting efforts to increase the rate of useful rolled steel. Prior to readjustment of the national economy, the rate of useful rolled steel had always fluctuated around 75 percent. After readjustment they made this itemized account: calculated on the basis of annual output of more than 5 million tons of rolled steel, a 1-percent increase in the rate of useful rolled steel would be equivalent to an increase of more than 50,000 tons of rolled steel. In view of this, since readjustment they have all along done a great deal to exploit the potential growth rate of useful rolled steel. As a result, their production of rolled steel has taken three big steps forward in 3 years: the rate of useful rolled steel was 1.64 percent higher in 1979 than in 1978 and 2.35 percent higher in 1980 than in 1979, and was 0.92 percent higher in the first 8 months of last year compared with the same period of year before last. In less than 3 years, exploitation of potential in the growth rate of useful rolled steel accounted for an increase of 241,000 tons of rolled steel and more than 7.1 million yuan in profits. 2) When supply of energy was short they conserved energy as a strategic task instead of asking aid from the higher level or "contending" with light and textile industries for energy. They did everything possible to exploit potential of energy and to exact energy

from technical transformation, from adjustment of the fuel structure, from improvement of operation and management and from scientific organization of production. By so doing they achieved conservation of energy and increase in production. Overall consumption of energy per ton of steel was down 5.6 percent in 1979 compared with 1978 and down 3.5 percent in 1980 compared with 1979, conserving a total of 50,000 tons of standard coal in 2 years. Anshan Steel's experience indicates that heavy industry enterprises have really great potential in financial and material resources, and that it is not only necessary but also possible to create the financial and material resources necessary for renewal and transformation by exploiting potential in this respect.

A number of heavy industry enterprises in Liaoning have achieved conspicuous results of self-reliant renewal and transformation: "carrying out transformation, benefiting from it and making profit in the same year." For example, Anshan Steel's small steel-rolling plant was rebuilt in 1 year into a small wire rod shop capable of producing 200,000 tons of round steel and screw thread steel and making 20-million-yuan profits 2 years. One year's profits were enough to pay off the total amount of construction investments. With 360,000 yuan in bank loans, Anshan Steel's No 2 thin plate plant was rebuilt into a zinc-plating production line capable of producing 10,000 tons a year. It went into operation in August of year before last, and in 5 months made profits amounting to 1.03 million yuan, three times the construction investment. Over the past 2 years, Anshan Steel has carried out 162 "exploitation, innovation and transformation" projects with very good economic results: compared with 1978, their capacity for producing goods in short supply increased by 120,000 tons, and the proportion of products urgently needed by light industry and market was up from 45.26 percent to 60.3 percent; product quality reached a record level, with 19 kinds of products rated as fine-quality products at the national, provincial or department levels. Penxi's industry and communications enterprises (excluding Penxi Steel) have also carried out "exploitation, innovation and transformation" with good results and their effective "exploitation innovation and transformation" projects have increased output value by 82 million yuan and profits and tax payments by 14.5 million yuan. Facts show that as long as it sticks to the road of intensive enlargement of reproduction and conscientiously exerts efforts in "exploitation, innovation and transformation," heavy industry will make great improvement in terms of production capacity, technical level and product quality.

III. Heavy industry should seek development in the course of improving operation and management and increasing the economic effects. For a long time operation and management of heavy industry, like other industries, had the drawback of separating operational results from economic benefits: all enterprises were regarded as "iron rice bowls" no matter how they were operated and managed, and egalitarianism was practiced when it comes to distribution. This drawback severely dampened the enthusiasm of enterprises and workers. Since the Third Plenary Session of the 11th Party Central Committee, heavy industry enterprises in our province have fully strengthened and improved their operation and management, taking it as an important feature of economic readjustment. Over the past years, our heavy industry enterprises have kept strengthening all-round quality control, reformed the reward system and gradually introduced various forms of economic responsibility systems. Within an enterprise, profits are

assessed, profit targets are separated, a contract system is gradually introduced down to shops, teams and groups, placing "heavy burden and targets on the shoulders of everybody." In this way, the enthusiasm of workers is gradually guided to the target of interesting themselves in operation and management and paying attention to economic effects, and the mass movement for increasing production, practicing economy, increasing revenues and cutting down expenditures is pushed forward like rising waves. Heavy industry units which distinguish themselves in business management have continued to emerge in recent years. These fine units have one characteristic in common, that is, continuously strengthening management and achieving increasingly distinct economic efforts. For example, Fushun Oil Refinery No 2 paid attention to improving operation and management and increasing the economic effects; thanks to this, it made 61-million-yuan profits and increased its profit deliveries by 37 million yuan in 1980 even though the volume of oil processed was down 100,000 tons from the 1979 level. Last year, the volume of oil processed by the refinery showed a further decline of 2.7 percent, but its profits increased 2.6 percent. For further example, Anshan Steel's General Chemical Plant brought into play the enthusiasm of its workers for improving operation and management by carrying out the economic responsibility system of "linking remuneration to work." They came forward with plans and tactics for creating wealth. Despite lack of production tasks, they not only fulfilled the profit plans set by the state but also generated an additional 260,000-yuan profit, a 22.9 percent increase compared with the previous year. Thanks to the strengthening and improvement of operation and management, Anshan Steel delivered profits to the tune of 1.156 billion yuan year before last, overfulfilling their profit plan; last year, despite great decline in output of steel, iron and rolled steel, it still increased revenues while cutting down production. These facts show that to strengthen and improve operation and management, paying attention to economic effects and bringing the enthusiasm of workers into full play will build up internal dynamics for developing heavy industry during the period of readjustment. It is also an important way for heavy industry to gain development during the period of readjustment.

9780

CSO: 4006/426

## INDUSTRY

### NEED TO EQUIP BICYCLE, SEWING MACHINE INDUSTRIES STRESSED

Shanghai JIXIE ZHIZAO [MACHINERY MANUFACTURE] in Chinese No 3, 1982 p 34

[Article by Shao Weida [6730 0251 6671], Scientific and Technological Information Research Institute, First Bureau of Machinery and Electrical Industries, Shanghai: "Strengthening the Equipping of Our Country's Bicycle and Sewing Machine Industries"]

[Text] During the period from 5 December to 14 December 1981, the Central Bureau of Machine Tools for the First Ministry of Machine Building held an exhibition and sales conference of bicycle, sewing machine, and spare parts technology and equipment at the Suzhou Machine Tool Plant.

Participating in this exhibition and sales conference were 65 manufacturing plants in the machine tool industry. On display were 57 machine tools (including 23 general machine tools, 22 special bicycle and sewing machine tools, and 12 pieces of casting and forging equipment). Representatives of more than 300 specialized production plants of bicycles and sewing machines and spare parts from all over the country participated in the conference.

During the conference, transactions were completed on about 1,400 pieces of equipment with a production value of about 24 million yuan. Six machine tool manufacturing plants had transactions exceeding a total of 1 million yuan. They were the Nanjing Machine Tool Plant, Western Henan Machine Tool Plant, No 2 Machinery Plant of Xuzhou area, Dalian Machine Tool Plant, Wuxi Machine Tool Plant, and Wuhan Machine Tool Accessory Plant.

Based on preliminary statistics, there are now 36 plants in the machine tool industry under the First Ministry of Machine Building that serve the bicycle industry. They have produced about 178 types of equipment. There are 33 plants serving the sewing machine industry. They have produced about 327 types of equipment. These include specialized equipment for the production of bicycle frames, handlebars, and pedals, and sewing machine housing, spare parts, and components. The types of equipment produced are complete, and they are modern. They are deeply welcomed by the consumers.

A few observations are made below as references for the machinery manufacturing plants, as far as the market demand for bicycles and sewing machines is concerned.

1. Actively develop special equipment required for the production of industrial sewing machines.

According to statistics, our country is currently producing 7.5 million sewing machines a year. Industrial sewing machines account for only 2 percent of this total. There are now 50 million household machines in use in the country. Based on the current 10 percent annual rate of increase, it is estimated that the number of household machines in use in the country will reach 100 million by 1985. This means an average of 1 machine for every 10 persons; thereafter, the demand will soon reach its saturation point.

With the improvement of the people's standard of living and export trade demands, the clothing industry is urgently in need of industrial sewing machines. Thus, consideration should be given to adjusting the current ratio of industrial sewing machines to household sewing machines. Our machinery manufacturing departments should design, trial-manufacture, and produce highly efficient, specialized equipment for the industrial sewing machine manufacturing plants in order to meet the obvious tendency for household machine producers to switch to industrial machine producers and to promote the production of additional industrial sewing machines at an early date.

2. Provide highly efficient, specialized equipment for the bicycle industry.

Since the founding of the People's Republic, about 90 million bicycles have been produced in our country, putting us first in the world. Discounting old ones that have been discarded, about 77 million bicycles are actually in use today, for an average of 1 for every 12 persons. This compares with 1 for every 2.2 persons in West Germany, 1 for every 2.4 persons in the United States and Japan, 1 for every 27.3 persons in India, and 1 for every 28 persons in Thailand, based on statistics of these countries.

According to the demand picture of the domestic market, the demand for brand-name products is very strong. Computed on the basis of 1 for every 10 persons, 100 million bicycles will be needed. Based on 15 years as the life of a bicycle, the demand in 1985 will be 10 million bicycles.

Looking at the foreign market, demands in the advanced countries and the Third World have all been greater since the energy crisis. The future potential for the export markets is therefore very good.

According to state plans, the number of bicycles manufactured in 1981 was to reach 18 million. Planned production for 1985 is 33 million. If we assume that 1,250 pieces of equipment are needed for every million bicycles of increased production, the demand for equipment in 1985 will be about 15,000. Thus, how to serve the bicycle industry and how to manufacture highly efficient, specialized equipment are problems which we must also consider and pay important attention to.

3. Pay attention to the three modernizations [sanhua] of products and accessory work clamps and molds.



Because there are many designs and types of bicycles and sewing machines, there are also numerous spare parts and components. The demand for specialized equipment is therefore also high. Universal and exchangeable equipment that meets the need for product changes should be developed. This not only will save plant space but also will lower the production plant costs. Furthermore, it will make it possible to switch to the production of new products rapidly in order to enter the markets.

While industries are being provided with equipment, attention should also be given to the supply of accessory work clamps and molds, providing complete service to the consumers and allowing the completion of installation and startup of production as soon as equipment is received.

5974

CSO: 4013/58

## INDUSTRY

### BRIEFS

HUNAN SMALL COMMODITIES COMMENTARY--On 17 June, the Hunan Broadcasting Station carried a short commentary entitled "Do Well in Grasping the Production of Small Commodities." The commentary says that the province's situation of small commodity production is, on the whole, good. The province now has some 10,000 enterprises for the production of small commodities and small agricultural tools. The province's output value last year reached 3 billion yuan. This has played an important part in improving people's livelihood and enlivening the urban and rural markets. The commentary points out that we must see that the production of small commodities in the province is far from meeting the needs of the masses. The commentary demands that leaders of some places and departments deepen their understanding of the immediate significance of promoting the production and supply of small commodities and that enterprises step up the production of small commodities. [Changsha Hunan Provincial Service in Mandarin 1100 GMT 17 Jun 82 HK]

CSO: 4006/497

## DOMESTIC TRADE

### BRIEFS

XIAN COMMODITIES FAIR--The Northwest China Commodities Fair is being held in Xian. It was decided to hold this fair after five provinces and regions in northwest China had consultations. The main aims are to further maintain the close economic relations among five provinces and regions in northwest China with the exchange of local industrial products as the main task, and through the exchange and regulation of commodities, to promote purchase and sales, to make the market thrive, to strengthen cooperation, to promote the development of local industrial production in northwest China and to serve agricultural and industrial production and people's livelihood even better. Principal responsible comrades of commercial and relevant departments of provinces and regions, including Gansu, Qinghai, Xinjiang, Ningxia and Shaanxi, are attending the fair. Representative from provinces and regions, including Sichuan, Hubei, Henan, Shanxi, Nei Monggol and Xizang, are also attending. The number of representatives is some 1,500. The commodities at this fair include textile products, knitwear, general merchandise, [words indistinct], chemicals and five big categories, including meat, poultry, eggs, sugar, cigarettes and wines. Samples of 16,757 kinds are on display. [Text] [HK161403 Xian Shaanxi Provincial Service in Mandarin 0500 GMT 16 Jun 82]

GUANGDONG COMMERCE--Thanks to the effective measures adopted by the commercial, supply and marketing departments, our province has made good progress in supply and marketing. From January to May 1982, in Guangdong, the total volume of commodity purchases increased by 12 percent, the total value of marketing by 13 percent and the total value of purchasing farm products and sideline products by 10.6 percent as compared with the corresponding period of 1981. Meanwhile, varying degrees of increase have also been registered in the output of resin, timber, edible oil, sugar and caustic soda. [HK230811 Guangzhou Guangdong Provincial Service in Mandarin 1000 GMT 21 Jun 82 HK]

CSO: 4006/497

## FOREIGN TRADE

### ROLE OF FOREIGN TRADE IN ECONOMIC DEVELOPMENT RECONSIDERED

Beijing GUOJI MAOYI [INTERNATIONAL TRADE] in Chinese No 1, Jan 82 pp 22-28

[Article by Yuan Wenqi [5913 2429 4388] and Wang Jianmin [3769 0256 3046]:  
"To Reevaluate the Role and Status of Foreign Trade in the Development of  
China's National Economy"]

[Excerpts] In the long past, among Chinese theoreticians there was a general belief that foreign trade was mainly the means of "regulating surpluses and shortages." They believed that the main purpose of foreign trade under socialism was to promote the improvement of the material composition of national economy, to make up the shortage of certain goods and materials, and to regulate the proportionate relationship of economy.

We believe that it is very necessary to reconsider this traditional view.

Undoubtedly, foreign trade can truly play the role of "regulating surpluses and shortages," so that we should say that there is certain ground for this point of view. However, such a view is very inadequate and incomplete. Because, only in simple commodity economy can the use value of commodity per se be the sole objective of exchange; and, under the condition of socialism, with the vigorous development of productive forces, China has developed into a highly socialized country of large-scale production so that it must go beyond its boundaries, enter the world market, participate in the international division of labor, and form various economic ties, including commodity exchange, with other countries of the world. The objective of commodity exchange should not be only in the form of material exchange, but it should be mainly to save social labor by means of international division of labor, that is, to enhance labor productivity and act as a lever in promoting the development of the national economy.

We know that international division of labor is the foundation of international commodity exchange, and it is also an important source of saving social labor. This truth was expounded earliest by the bourgeois classical political economists Adam Smith and David Ricardo.

Here, it should be pointed out that in accordance with the law of socialist economy, we made an analysis of the principal role of foreign trade in the development of national economy, that is, the action of a lever which foreign

trade performs by saving social labor. However, it does not mean that this is the only objective and role of our foreign trade. Because, besides this, foreign trade may play the role of "regulating surpluses and shortages" and also serve other national interests, such as helping us to import advanced sciences and technology from abroad to accelerate the development of our national economy, and working in coordination with our struggle in foreign policy and fulfilling our internationalist obligations of socialism to contribute to the creation of a peaceful external condition for the development of our national economy, and so forth. However, only by making clear the principal role and objective of our foreign trade in theory and in thinking can we lay down, from a strategic perspective, correct principles and policies for the development of our foreign trade.

In the long past, as we limited our understanding of the role of socialist foreign trade in national economy to only "regulating surpluses and shortages," naturally we would overlook the important role of foreign trade in making profits for our national economy, and arrange plans for the structure of our import and export commodities without a scientific theoretical basis. Therefore, in the practice of our foreign trade appeared the following views and methods: In export, "to export whatever can be produced in the country and is also in demand on the international market"; in import, "to import very few or nothing of whatever can be produced in the country,"

We believe that such views are open to question.

As far as the planning of the structure of export commodities is concerned, the above views do not necessarily conform to the principle of making foreign trade profitable to the national economy. Because, it is not necessary that we should export an article which can be made in our country and also is in demand on the foreign markets. According to the principle of relative benefits, if we cannot attain the objective of saving social labor by exporting this article, then we should not export it. Such things as we can produce and are in demand on the international market constitute only the prerequisite to our determination of plans on the structure of export commodities according to the principle of making foreign trade profitable to the national economy, and they should not be taken as the theoretical basis for the planning of the structure of export commodities. On the contrary, if we can save social labor by producing and exporting certain articles which at present we cannot yet produce for export and are in demand on the international market, then we should also make efforts to produce and export such articles according to the principle of making foreign trade profitable to the national economy. Therefore, in planning the structure of export commodities, we should not base on such views as "to export whatever we can produce" or "to produce and export whatever is in demand on the international market."

As far as the planning of the structure of import commodities is concerned, the view that "to import very few or nothing of whatever can be produced in our country" is also short of concrete analysis, and similarly it has not considered this problem from the high perspective of making foreign trade profitable to our national economy. Because, even for articles which can be produced in our country, we must also calculate the cost of their production. If



the cost of importing these articles is lower than the cost of producing them inside the country, that is, if we can save social labor by importing these products, then we should not import very few or nothing of them just because they can be produced in the country. Of course, they should not include goods for which the cost of production is fairly high because we are just beginning to produce them, and these goods have their potential superiority.

From the above analysis we can see that if we compile plans of the structure of our import and export commodities not in accordance with the principle of making foreign trade profitable to national economy, not only can we not bring into play the leverage of our foreign trade in accelerating the growth of our national economy, but we will even bring about an unfavorable impact on and do harm to the development of our national economy. This cannot be drawn to our very serious attention and heighten our vigilance. In fact, this is exactly an important reason why the economic results of our foreign trade were not up to our expectations in the long past.

However, it should be pointed out emphatically that the principle of making foreign trade profitable to national economy is only the main basis for us to decide whether or not our plans of the structure of import and export commodities are rational, and it should not be the only basis. In other words, when we make plans of the structure of import and export commodities, besides taking into consideration mainly the principle of making foreign trade profitable to our national economy, we must also take into consideration some other comprehensive factors. For instance, we should consider not only the saving of labor by means of foreign trade at present but also the possibility of saving labor in the future, so that we should not pit present labor saving against the long-term interests of economic development, but we should integrate the former with the latter. Especially for new products which are of important significance to the development of our national economy, or for products which have their potential superiority, we should adopt the policy of protection. In spite of the fact that at present these articles do save social labor in comparison with their production inside the country, we should also take into consideration the long-term interests of the development of our national economy as well as the fact that similarly we can also attain our goal of saving social labor in the future when our own products will gradually give play to their superiority. Furthermore, when we arrange and determine our plans of the structure of import and export commodities, we should also take into consideration the factors of building our independent national economic system and building our national defense. Because, at present not only can we not save social labor by producing such articles inside our country, but also we have to expend even more labor than the export commodities which we will pay for the importation of these articles. If we judge only from the view of making foreign trade profitable to our national economy, then we must stop the production of these articles and import them instead. However, if we have the basic interests of our country in mind, we must still invest in the development of production of these departments in order to build an independent national economic system and strengthen our national defense.

In addition, when we arrange and determine our plans of the structure of import and export commodities, we should also take into consideration such factors as China's internationalist obligations of socialism and the needs of our struggle in foreign policy.

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CSO: 4006/423

## TRANSPORTATION

### BRIEFS

PRC-YUGOSLAV FREIGHTERS TRANSACTION--Belgrade, 15 May (XINHUA)--A 5,000-ton freighter built by Yugoslavia's (Uliyanik) shipyard was handed over to China's Hubei Provincial Jingchuan Shipping Company at a ceremony held in Fula, Yugoslavia on 15 May. The freighter, named Jingchuan No 1, was the first of five freighters ordered by the Chinese Shipping Company. Chinese commercial counsellor Gao Lu and Yugoslav officials attended the ceremony. [OW250157 Beijing XINHUA Domestic Service in Chinese 0701 GMT 16 May 82 OW]

CSO: 4006/497

AUTHOR: GU Naimian [7357 0035 4875]

ORG: Deputy Director, Guizhou Provincial Bureau of Coal Industry

TITLE: "Probing the Metamorphism of Coal in Guizhou Province"

SOURCE: Beijing SHIJIE METAN JISHU [WORLD COAL TECHNOLOGY] in Chinese No 2, 12 Feb 82 pp 9-16

ABSTRACT: Guizhou is one of the provinces with the largest coal reserves in China. Metamorphism exists extensively. Geographically speaking, the province may be divided into 3 regions, the medium low metamorphic region of the east, the central highly metamorphic region, and the medium low metamorphic region of the west, with some highly metamorphic zones in some localized places of the east and the west regions. Magmatic action is the major cause of extensive metamorphism of coal in the province. The extent of metamorphism to produce anthracite zones is related to paleogeographic thermal anomalies which in turn are related to the varied depth of Mohorovicic discontinuity, the hidden magmatic activities, and perhaps the added thermal flow produced by the upward movement of materials within the crust. The influence of dynamic metamorphism on the coal is found to be of a limited scope. The fact that metamorphism of coal is often the result of combined action of several factors is not excluded, however. The paper includes 7 maps or figures depicting the following: (1) Zonal divisions of Late Permian coal; (2) Ground temperature gradient distribution in Guizhou Province; (3) Isopleth of volatility of Late Permian coal and the maximum reflectance of the vitrain groups; (4) Zonal divisions of Early Carboni-

[continuation of SHIJIE METAN JISHU No 2, 1982 pp 9-16]

ferous coal; (5) Zonal divisions of the Early Carboniferous coal; (6) Isopleth of maximum thickness from the Late Permian Longtan Formation to the Early Jurassic artesian well group rock system; (7) Distribution of Late Triassic and Tertiary coal systems. Legend: A. anthracite; B. poor coal; C. thin coal; D. coking coal; E. Rich gas coal; F. denuded region; G. ground temperature gradient; H. thermal flow value; I. ground isothermal line; J. estimate; K. coking coal - gas; L. gap; a. high value region; b. intermediate value region; c. low value region. 1. Weining; 2. Hezhang; 3. Bijie; 4. Chishui; 5. Xishui; 6. Renhuai; 7. Zunyi; 8. Jinsha; 9. Dafang; 10. Qianxi; 11. Zhi jin; 12. Anshun; 13. Changshun; 14. Puan; 15. Qinglong; 16. Guanling; 17. Ziyun; 18. Xingyi; 19. Xingren; 20. Zhenfeng; 21. Luodian; 22. Shuicheng; 23. Panxian; 24. Tongzi; 25. Zhengan; 26. Wuchuan; 27. Dejiang; 28. Meitan; 29. Sinan; 30. Shiqian; 31. Kaiyang; 32. Wengan; 33. Guiyang; 34. Huishui; 35. Dujun; 36. Kaili; 37. Libo; 38. Tongren; 39. Tianzhu; 40. Rongjiang. The 7 figs. are reproduced in the following:

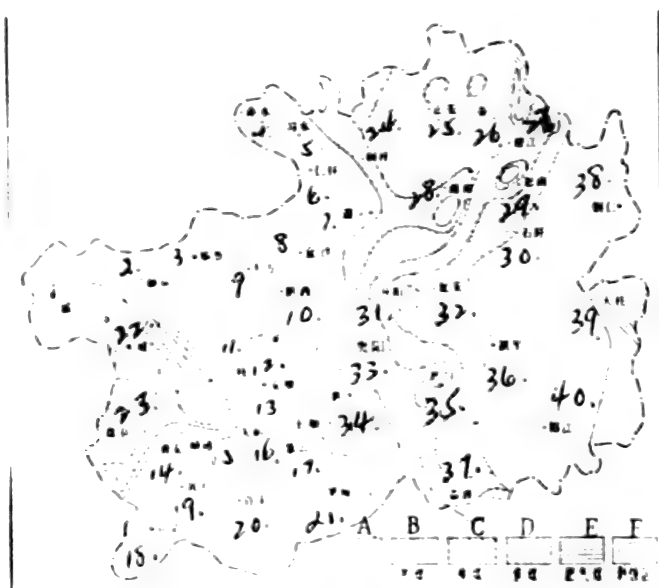


Fig. 1

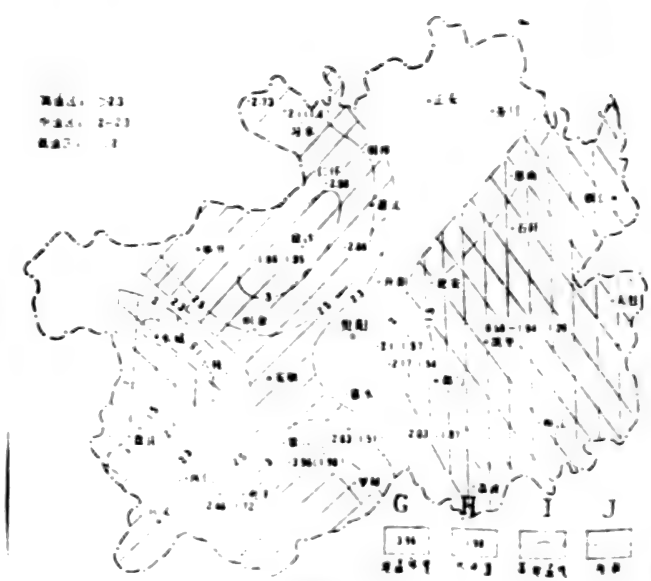


Fig. 2



Fig. 3

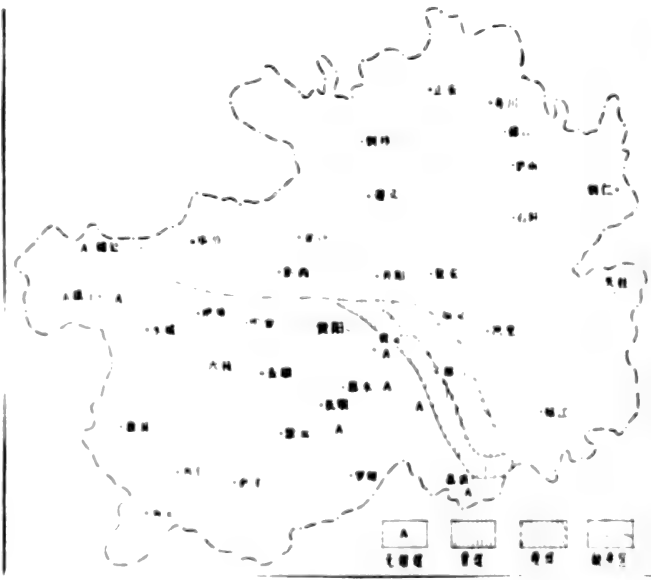


Fig. 4

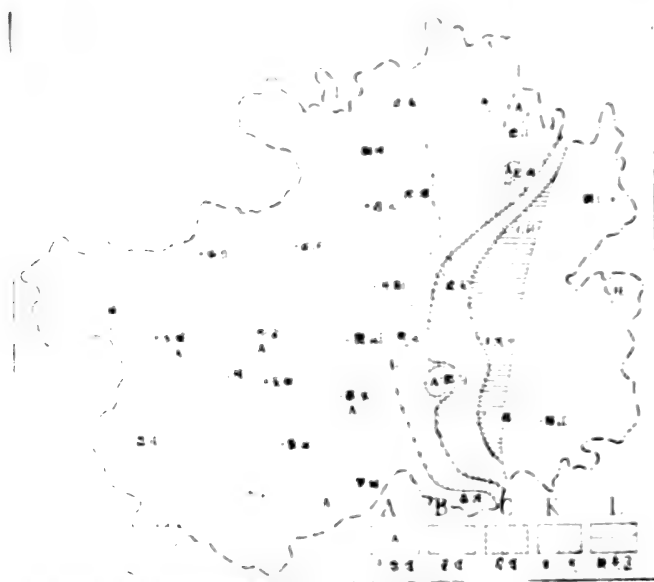


Fig. 5



Fig. 6



Fig. 7



AUTHOR: ZHOU Shuliang [0719 0647 5571]

ORG: Research Institute of Industrial Economics, Chinese Academy of Social Sciences

TITLE: "The Research Objective and Intent of Economic Structure Science"

SOURCE: Beijing JINGJI KEXUE [ECONOMIC SCIENCE] in Chinese No 2, 20 May 82  
pp 1-7, 36

ABSTRACT: It has been repeatedly suggested (ZHONGGUO SHENHUI KEXUE No 1, 81; SHAANXI CAIJING XUEYUAN XUEBAO No 2, 81; WENHUI BAO 27 Sep 78) that economic structure should be established as a science. While economic structure was often regarded as a part of production relationship, many suggested that it should include the structure of production relationship and the structure of productivity but some believed that the latter should be emphasized at the expense of the former. Following an introduction of the background problems [disagreements] concerning the object, scope, method, and task of this science, the author suggests that further discussions on the subject should perhaps be divided into the following: (1) The object and method, including its distinction and relationship with political economics, departmental economics, and economic management science; (2) Historical evolution and classification of economic structure; (3) Factors determining economic structure, including analyses of such factors as natural conditions, levels of productivity, scientific technology, consumer needs, economic policies, etc.; (4) Economic structure and economic growth; (5) Economic structure and economic effects; (6) Branches of economic structure, including property, technology, employment, regional, import and export, national income distribution, capital investment, price, consumption structures; (7) Problems of reasonableness of economic structure.

AUTHOR: ZHANG Chunyuan [1728 4783 0337]

ORG: Department of Economics, Beijing University

TITLE: "Several Problems of China's per Capita GNP"

SOURCE: Beijing JINGJI KEXUE [ECONOMIC SCIENCE] in Chinese No 2, 20 May 82  
pp 8-16

ABSTRACT: In capitalist countries, GNP includes wages, interests, rents, etc., i.e. the sum of material and non-material production. In China and the USSR, GNP means the value of newly created products by material-producing workers of the country within a given year. Although this conceptual difference is explained in a footnote, the paper lists in a table the GNP of 1960, 1970, 1975, and 1978 of 12 countries, including the USA, the USSR, W. Germany, etc. demonstrating the fact that at \$224, the per capita GNP of China in 1978 was the next to the lowest, the lowest being that of India at \$130. Major factors affecting per capita GNP, i.e. the relationship between the growth of GNP and the growth of population, are explained. Finally, the paper explains that in order to increase the per capita GNP in China, efforts must be given to the following: (1) Population control; (2) Increase productivity by reducing population investment and increasing technology investment; (3) Suitably increase the ratio of people of productive ages in the population; (4) Use full employment as the means of taking advantage of China's large labor force to increase the per capita GNP. Each of the above methods is discussed in some detail.

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CSO: 4011/122

AUTHOR: None

ORG: Liaoning Provincial Department of Transportation

TITLE: "Place the Reconstruction of Old Roads in a Strategic Position of Highway Construction"

SOURCE: Beijing GONGLU [HIGHWAYS] in Chinese No 5, 25 May 82 pp 1-3

ABSTRACT: Liaoning Province began a large scale reconstruction project of old roads in 1975 and by 1981, 8,169 km of old roads, amounting to 27.5 percent of all highways then existed, had been rebuilt. These reconstructed highways were widened from the original width of 7.5-8.5m to 12-32m. A green zone of 1.5-4 m in width was added, 351 bridges were built, 2,860 km were resurfaced with asphalt blacktop. The reconstruction work has shortened the distance, improved the speed of the traffic, reduced accidents, and connected the highways into a network. These excellent results have been obtained because of the following: (1) Reconstruction of old roads is considered to have strategic importance; (2) Local areas and the masses are mobilized to support the reconstruction work; (3) A suitable technical standard is adopted to evaluate the work; (4) Attention is given to the benefits of the reconstruction work. A great deal of work remains to be done. The province still has 11,500 km, amounting to 72.5 percent of the existing highway mileage, awaiting reconstruction. A more detailed design formula is needed. A local agricultural tax may have to be collected to provide capital for reconstruction and maintenance of rural roads.

This paper was received for publication in Feb 82.

AUTHOR: MAO Dehong [7437 1795 1347]

ORG: Peiling Highway Maintenance, Sichuan Province

TITLE: "Summary of Two Years of Trial Practice of Budgeting and Contracting Road Maintenance Work in Peiling Highway"

SOURCE: Beijing GONGLU [HIGHWAYS] in Chinese No 5, 25 May 82 pp 28-32

ABSTRACT: In 1979, the Sichuan Provincial Department of Transportation approved a pilot project of the economic responsibility system of budgeting and contracting highway maintenance work. Since then, the accomplishment of 1979 was summarized and the project was continued in 1980 and the accomplishment of 1980 was summarized again for the project to be continued into 1981. From Jan to Sep 81, the rate of well-maintained roads increased 6.5 percent over the same period of 1980 and the cost of maintenance was reduced 19.14 percent. Various aspects of the economic responsibility system, including signing contracts with road maintenance sections and shifts to guarantee the fulfillment of quota and such maintenance indices as work quality, material consumption, and cost are introduced in some detail. Finally, the paper reports the following advantages of the system: (1) Workers are more positive; (2) A great deal of expenses may be saved; (3) Democratic management; (4) Reasonable arrangement promotes technical reform; (5) Attitude change for the cadres; (6) Such added facilities as lights, bathhouses, electrical fans, television sets, radios, etc. have improved the living standard of the workers.

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## Railway Construction

AUTHOR: CHEN Yuanmou [7115 6678 6180]

ORG: None

TITLE: "An Assault Brigade for China's Railway Construction -- Introducing the Railway Soldiers of the People's Liberation Army"

SOURCE: Beijing TIEDAO ZHISHI [RAILWAY KNOWLEDGE] in Chinese No 3, 28 May 82 pp 2-3

ABSTRACT: Under the leadership of the Chinese Communist Party, on the foundation of the foot soldiers of the people's liberation army, the railway brigade has been established and developed. In war time, its major task is to protect the railways, to shield them, and to carry out emergency construction and repair. In peace time, it is to participate in railway and other construction projects. In the 30 years since its initial organization, it has made important contributions to the liberation and socialist construction endeavors of the fatherland. Before the liberation, wherever the army advanced the railways were repaired. For example, trains departed from the North Station in less than 12 hours after Shanghai was liberated. In recent time, the railway brigade has been learning sciences and technologies to march toward modernization. It has won the love and respect of all the people of the country. More examples of the brigade's contribution are described.

AUTHOR: LI Wenmao [2621 2429 5399]

ORG: None

TITLE: "Shipping the Coal of Shanxi Out of the Province"

SOURCE: Beijing TIEDAO ZHISHI [RAILWAY KNOWLEDGE] in Chinese No 3, 28 May 82 pp 10-11

ABSTRACT: In Shanxi Province, historical records of coal mining go back many centuries. Since the liberation, an industrial base of coal development encompassing 13 large and medium mines and 3,000 small local operations has been firmly established with a relatively reasonable layout and acceptable technological capabilities. In 1979, production broke the one-hundred-million-ton barrier, amounting to a growth of 90-fold over that of 1949. The coal reserves of the province are extremely rich, with 100 billion tons proven, about 1/3 of all proven reserves of the country. The coal reserves of Shanxi also have the advantages of being close to the surface and good quality. According the current plan, by 1990, the annual coal production of the province will reach above 200 million tons annually. The importance of the coal reserves and production of Shanxi may also be demonstrated by the fact that coal makes up more than 70 percent of China's current energy consumption. With the above introduction, the paper proceeds to explain the fact that although Shanxi coal is now supplying more than 20 provinces and cities in China as well as such far-away countries of England and France, shipping the coal out of Shanxi depends mainly on the inadequate and congested railways. The urgency of railway construction for the purpose of shipping the coal out of the province is the essential theme of the paper.

AUTHOR: WEI Wei [2607 3634]

ORG: None

TITLE: "Notes on the Wan [Anhui] - Gan [Jiangxi] Railway"

SOURCE: Beijing TIEDAO ZHISHI [RAILWAY KNOWLEDGE] in Chinese No 3, 28 May 82  
pp 22-23

ABSTRACT: The readers may never have heard of Wan-Gan Railway, which is in fact still under construction. The last link of the tracks was completed in early Dec 81; therefore, the line will soon be operable in its entirety. It will be the major trunk line dissecting the 2 provinces of Anhui and Jiangxi to link the north and the south in a distance of 551 km. The idea of this railway has a bitter origin, however. Soon after the revolution of 1911, imperialistic England forced the Yuan Shikai Government to give it the monopoly of constructing a railway from Nanjing, through Anhui, Jiangxi to reach Changsha of Hunan but the plot was disrupted by the outbreak of WWI. In 1933, ZHANG Jingjiang [1728 7234 3068] et al of Kuomintang organized a Shanghai consortium to build an 80 km line from Wuhu to Sunjiabu, which formed the earliest section of the present Wan-Gan Line. The plan of reconstructing or continuous constructing the line was first conceived in 1958 but was not even partially launched until 1967 before it was soon disrupted by LIN Piao and the gang of four. This tortuous history of the railway and its final serious construction in 1970-1981 are reported. The importance of this railway and the scenic views along the railway constitute the second part of the paper.

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CSO: 4011/120

AUTHOR: QIAN Huankui [6929 3562 1145]

ORG: Bureau of Tunnel Engineering, Ministry of Railway

TITLE: "Dayaoshan Tunnel"

SOURCE: Beijing TIEDAO JIANZHU [RAILWAY CONSTRUCTION] in Chinese No 5, May 82  
pp 7-11

ABSTRACT: Jing-Guang [Beijing-Guangzhou] Railway is a major line of communication between the north and the south in China. For the 1,758 km between Beijing and Hengyang, multiple tracks have been completed, but the section of 538 km between Hengyang and Guangzhou remains a single-track line, constructed more than 40 years ago. At present, this section is saturated with cargo and passenger traffic and no room for any increase. The semi-circular segment along Wushui River from Pingshi to Lechang is especially congested to affect the agricultural development of Hunan and Guangdong and consequently, the export trade from Huangpu Harbor to Hong Kong and Macao. It has; therefore, been resolved that multiple tracks must be constructed for this section and the Dayaoshan Tunnel Scheme adopted to shorten the line 11.5-14 km from the original 38 km by cutting a direct pass to by-pass the Wushui River bend. The tunnel plan was approved by the Ministry of Railway in Sep 81 and the construction of both ends has started. The double-track tunnel as long as 14.3 km will be the longest in China and many new problems and unexpected difficulties may occur in the course of construction. The general design, the engineering geology, and the construction plan of the tunnel are introduced, including a brief map and diagram.

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